

Engineering the Nation's Progress

PROTASCO BERHAD

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PROTASCO BERHAD (548078-H)



ANNUAL REPORT  
**2004**

ANNUAL REPORT 2004

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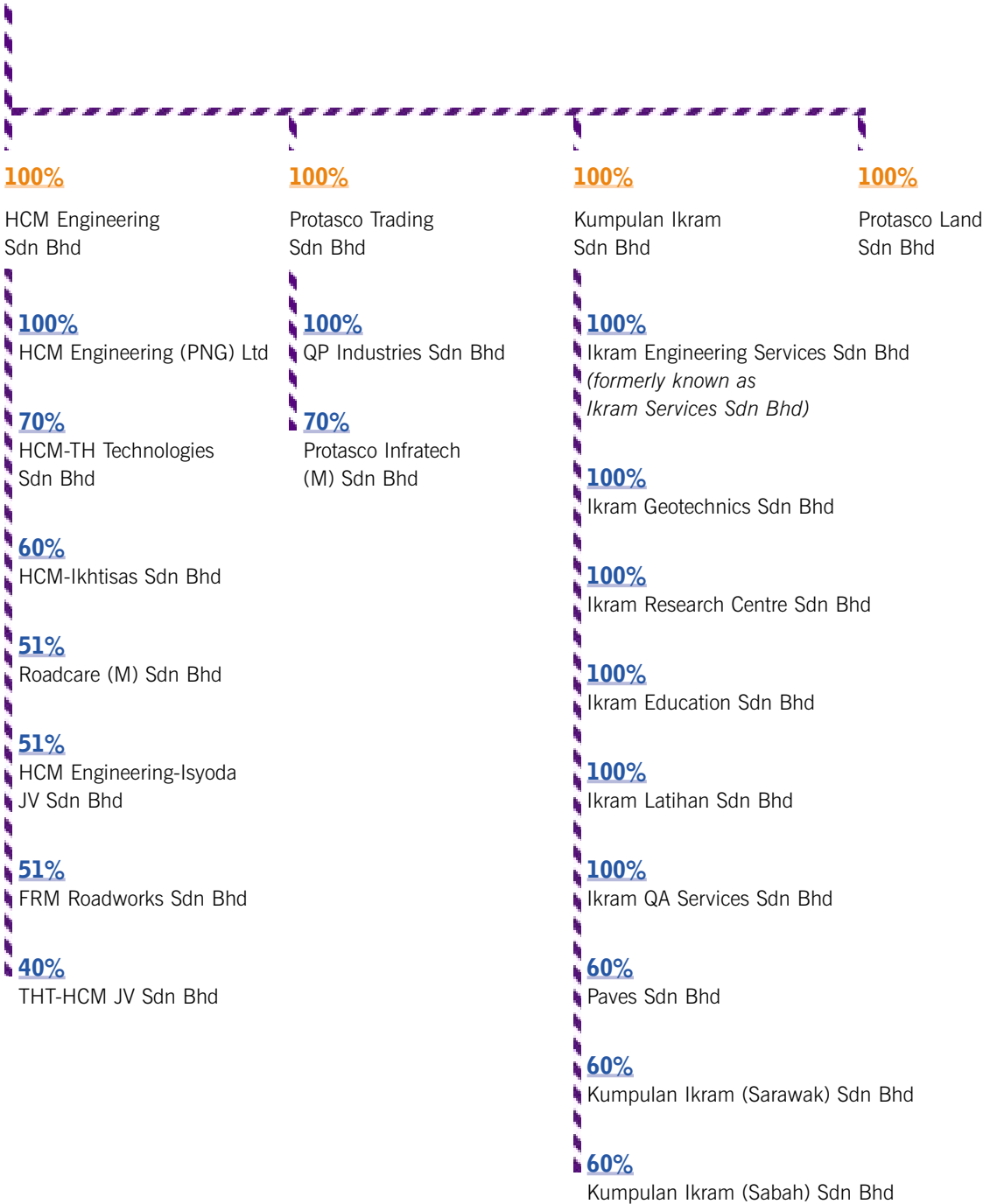
Over the years PROTASCO Group has established its reputation as a specialist in roads construction, rehabilitation, upgrading and maintenance. The Group adopts state-of-the-art pavement construction and rehabilitation technology to provide tailor-made solutions to its customers.



# CORPORATE STRUCTURE



## PROTASCO BERHAD





# CORPORATE INFORMATION

## **BOARD OF DIRECTORS**

**Dato' Hasnur Rabiain Bin Ismail** – Executive Chairman

**Dato' Chong Ket Pen** – Managing Director

**Dato' Dr Norraesah Binti Hj Mohamad** – Independent Non-Executive Director

**Datin Normah Binti Kassim** – Independent Non-Executive Director

**Benny Soh Seow Leng** – Independent Non-Executive Director

**Azliza Binti Ahmad Tajuddin** – Independent Non-Executive Director

## **COMPANY SECRETARIES**

Khor Hooi Ling (MAICSA 7014879)

Seow Fei San (MAICSA 7009732)

## **REGISTERED OFFICE**

312, 3rd Floor, Block C, Kelana Square

17 Jalan SS7/26

47301 Petaling Jaya

Selangor Darul Ehsan

Tel: 03-7803 1126

Fax: 03-7806 1387

## **REGISTRAR**

Symphony Share Registrar Sdn Bhd

Level 26, Menara Multi-Purpose

Capital Square

No. 8, Jalan Munshi Abdullah

50100 Kuala Lumpur

Tel: 03-2721 2222

Fax: 03-2721 2530

## **PRINCIPAL BANKERS**

RHB Bank Berhad

EON Bank Berhad

Bank Islam Malaysia Berhad

Malayan Banking Berhad

## **AUDITORS**

Ernst & Young

Chartered Accountants

Level 23A, Menara Milenium

Jalan Damanlela

Pusat Bandar Damansara

50490 Kuala Lumpur

## **STOCK EXCHANGE LISTING**

Main Board

Bursa Malaysia Securities Berhad



# DIRECTORS' PROFILE

## **DATO' HASNUR RABIAIN BIN ISMAIL**

### **Executive Chairman**

Dato' Hasnur Rabiain Bin Ismail, 48, a Malaysian, is the Executive Chairman of Protasco Berhad. He was appointed to the Board on 15 May 2001. Graduated with a BSc (Hons) degree from the United Kingdom's Middlesex Polytechnic in 1980, the co-founder of Protasco Group obtained his MPhil (Civil Engineering) from the University of Birmingham in 1990. A member of the Malaysian Institute of Engineers since 1993, he became a Professional Engineer registered with the Board of Engineers Malaysia in 1994.

In 1980, he joined Jabatan Kerja Raya (JKR) as Road Design Engineer in Ipoh. He was promoted to Project and Road Engineer with JKR Kuala Kangsar in 1981. Between 1983 and 1984, he underwent on-the-job training with Samsung Construction Company in Korea. He subsequently joined the Design and Research Branch of JKR Headquarters (HQ) as Senior Materials Engineer. In 1988, he was promoted to Senior Engineer, Pavement Unit of the JKR's Institute of Training and Research (IKRAM).

He left the JKR to set up the HCM Engineering Sdn Bhd Group in 1991. He is also a director of Kumpulan Ikram Sdn Bhd (KISB), Protasco Trading Sdn Bhd and most of the subsidiaries and associates of the KISB Group and HCM Group.

## **DATO' CHONG KET PEN**

### **Managing Director**

Dato' Chong Ket Pen, 50, a Malaysian, is the Managing Director of Protasco Berhad. He was appointed to the Board on 15 May 2001. He also sits on the Audit Committee of the Board. The co-founder of the Protasco Group graduated with a BEng (Hons) degree from the University of Malaya in 1979. He obtained his MPhil (Civil Engineering) from the University of Birmingham in 1990. A member of the Institute of Engineers Malaysia since 1984, he became a registered Professional Engineer with the Board of Engineers Malaysia in 1985. He has been a member of the United Kingdom's Institution of Civil Engineers and a Chartered Engineer with the United Kingdom's Engineering Council since 1985 and 1987 respectively.

He began his career as Road Design Engineer cum Assistant Project Engineer with JKR Kelantan in 1979. In 1982, he was promoted to Project Engineer and subsequently became Senior Engineer at the JKR HQ's Design and Research Branch. In 1988, he was attached to IKRAM as its Senior Pavement Research Engineer, and later reassigned as Senior Engineer, Pavement Evaluation and Research.

He left JKR to set up Paves Sdn Bhd in 1991. As the founding director of KISB in 1997, he was involved in the privatisation of the activities of the former IKRAM. He is also a director of Protasco Trading Sdn Bhd and several subsidiaries of the KISB Group.

#### **Notes:**

- (i) None of the directors has any family relationship with each other and with any substantial shareholders of the Company.
- (ii) None of the directors has any conviction for offences, other than traffic offences, within the past 10 years.
- (iii) Other than the related party transactions disclosed in Note 32 to the Financial Statements and the Circular to Shareholders dated 6 May 2005, none of the directors has any conflict of interest with the Company.
- (iv) All directors, except for Dato' Dr Norraesah who was appointed on 18 January 2005, attended all the Board Meetings held during the financial year ended 31 December 2004.
- (v) With the exception of Dato' Dr Norraesah none of the directors holds any directorship in other public companies.
- (vi) The directors' holdings in shares of the Company are disclosed in the Analysis of Shareholdings section of the Annual Report. The directors do not hold any shares in the subsidiaries of the Company.

### **DATIN NORMAH BINTI KASSIM**

#### **Independent Non-Executive Director**

Datin Normah Binti Kassim, 48, a Malaysian, has been a director of Protasco Berhad since 29 April 2002. She is the Chairperson of the Audit Committee and also sits on the Nomination Committee and Remuneration Committee of the Board. In 1980, she became an Associate Member of both the Institute of Chartered Secretaries and Administrators, UK and the Malaysian Institute of Chartered Secretaries and Administrators.

She started her career in 1978 as the Company Secretary cum Head, Secretarial Services for Malaysia Building Society Berhad. From 1990 to 2000, she was attached to Hicom Holdings Berhad (HICOM) as Group Company Secretary and Head, Secretarial and Legal for HICOM and its group of companies.

### **BENNY SOH SEOW LENG**

#### **Independent Non-Executive Director**

Benny Soh Seow Leng, 34, a Malaysian, was appointed as a director of Protasco Berhad on 29 April 2002. He is the Chairman of the Nomination Committee and also sits on the Remuneration Committee of the Board. A practising Advocate and Solicitor and a Member of the Malaysian Bar, he became a partner at Manjit Singh Sachdev, Mohammad Radzi & Partners in 1998. The firm specialises in corporate, litigation and consultancy work.

He is also a registered Trade Marks agent. His clients include the financial and banking institutions, building and construction firms, private and public companies and associations, both in Malaysia and the Asia Pacific region.

### **AZLIZA BINTI AHMAD TAJUDDIN**

#### **Independent Non-Executive Director**

Azliza Binti Ahmad Tajuddin, 38, a Malaysian, became a director of Protasco Berhad on 1 May 2003. She is the Chairperson of the Remuneration Committee and also sits on the Audit Committee and Nomination Committee of the Board. A Bachelor of Commerce (Accounting) graduate from Australian National University, she began her career as an auditor at Coopers & Lybrand in 1990.

She then moved on to hold various positions at Amanah Merchant Bank Berhad, Padiberas Nasional Berhad and Sistem Televisyen Malaysia Berhad (TV3). After leaving TV3 in 2001, she joined Simpletech Sdn Bhd until 2004. Subsequently she joined Blu Inc Media Holdings Sdn Bhd in January 2005 as its Chief Executive Officer.

### **DATO' DR NORRAESAH BINTI HAJI MOHAMAD**

#### **Independent Non-Executive Director**

Dato' Dr Norraesah Binti Haji Mohamad, a Malaysian, 57, was appointed as Protasco's Independent Non-Executive Director on 18 January 2005. She is a doctorate degree holder in Economics Science (International Economics and Finance) from University of Paris-Pantheon Sorbonne, France. She has over 30 years of experience in banking, consultancy and international trade and commerce.

Before joining the corporate sector, she was with the Malaysian Government from 1972 to 1988, serving in the Ministry of International Trade & Industry and Ministry of Finance. In 1988, she joined ESSO Production Malaysia, Inc as Communication Manager and subsequently in 1990, took the position of Managing Director with a consultant firm providing financial advisory services. From 1991 to 1998, she was appointed as the Chief Representative of Credit Lyonnais Bank in Malaysia. She assumed the position of Chairman of Bank Rakyat from 2000 to 2003.

Dato' Dr Norraesah is currently the Chairman of Alcatel Network Systems (M) Sdn Bhd. Her other directorships include Siah Brothers Corporation Bhd, KESM Industries Bhd, Malaysian Oxygen Berhad and several other private limited companies in Malaysia.

# GROUP FINANCIAL HIGHLIGHTS

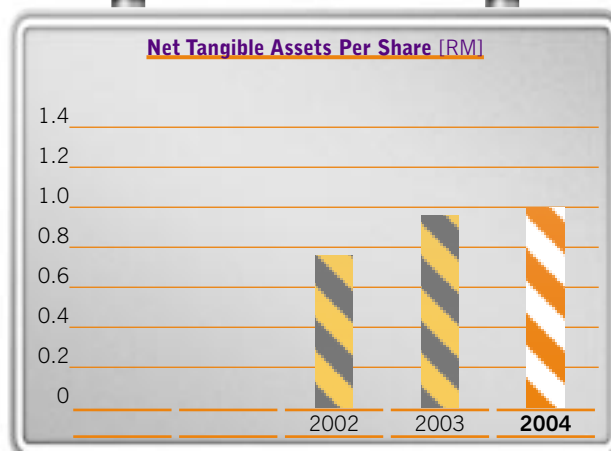
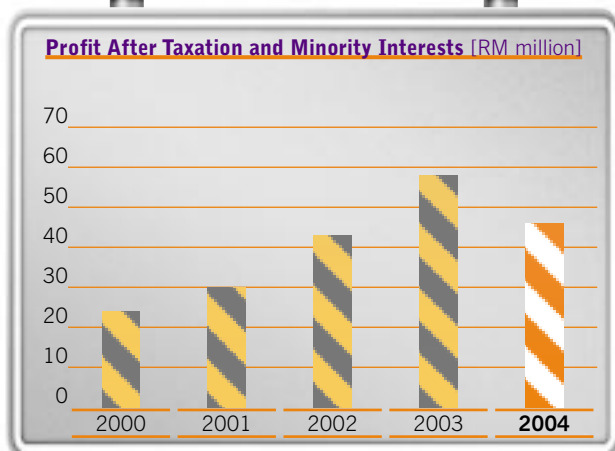
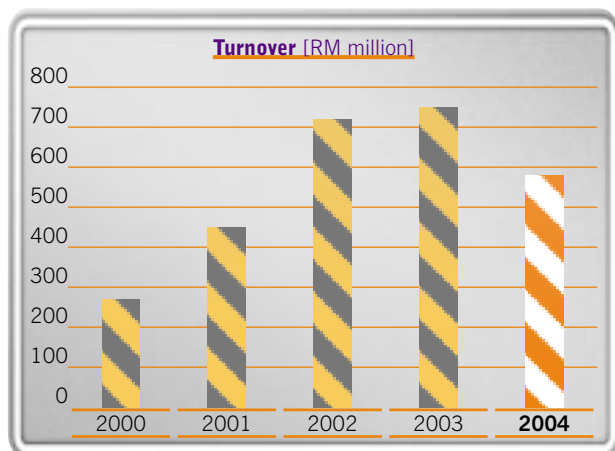
	Year Ended 31 December				
	2000# RM'000	2001# RM'000	2002# RM'000	2003* RM'000	2004 RM'000
Turnover	267,443	445,491	715,609	744,920	<b>582,446</b>
Profit After Taxation and Minority Interests (PATAMI)	24,800	30,671	43,705	58,753	<b>45,996</b>
Earnings Per Share (sen)	8.27	10.22	14.57	19.58	<b>15.33</b>
Net Tangible Assets Per Share (RM)	n/a	n/a	0.77	0.95	<b>1.00</b>

Remarks:

# Based on proforma consolidated results and balance sheets of Protasco Group as set out in the Prospectus dated 28 June 2003, with the assumption that Protasco Group had been in existence throughout the years under review.

\* Including pre-acquisition turnover and PATAMI of RM265.104 million and RM16.87 million respectively.

n/a – not applicable







With a team of well-rounded, qualified and experienced engineers and technicians, PROTASCO Group offers a wide range of engineering and consultancy services. Among the services provided are site investigation, building and foundation design, geo-technical engineering, structural assessment, pavement evaluation and asphalt technology.



# EXECUTIVE CHAIRMAN'S STATEMENT

In a year marked by the devastating tsunami tragedy, unexpected high crude oil prices and debate on the Ringgit peg, the Malaysian economy continued to strengthen for the third consecutive year in 2004.

Driven by stronger growth of both exports and domestic demand, Malaysia posted a 7.1% growth in gross domestic product (GDP), after rising 5.3% in 2003.

However, the economy moderated to a 5.6% growth for the fourth quarter of 2004 compared with 7.8% in the first quarter, 8.2% in the second quarter and 6.7% in the third quarter. It was in line with market expectations and reflected the slowdown in the global growth trend that is expected to continue through the first half of 2005.

The subdued construction sector – which was affected by a tightening of government policy on infrastructure spending to improve the budget deficit – contracted again by 3.3% in the fourth quarter compared to a decline of 3.0% in the previous quarter. Construction and engineering services sector has been under pressure with many players competing for fewer jobs. For 2005, construction activities are anticipated to shrink further by 1% from the drop of 1.9% in 2004.

Even when we are expected to be on a slower mode, the official forecast by Bank Negara Malaysia of between 5% and 6% growth for 2005 is encouraging, with signs that Malaysia is still one of the better performing economies in this region.

## FINANCIAL PERFORMANCE

For the challenging financial year under review, Protasco managed to post a Group profit after tax and minority interest of RM45.996 million on the back of RM582.446 million in turnover. The profit achieved represented a drop of 21.7% or RM12.757 million from the profit, including pre-acquisition profit, recorded in the previous year of RM58.753 million.

## REVIEW OF OPERATIONS

Protasco Group is principally engaged in construction, engineering services and consultancy, education, training and trading. Construction encompasses road construction, upgrading, rehabilitation and maintenance using pavement recycling technology, and building construction. Engineering services and consultancy include site investigation, soil testing, geotechnical services and pavement evaluation.

Similar to other construction companies, while we have been affected by fewer projects available locally, our road construction, rehabilitation and maintenance division remained the Group's major contributor, contributing 70.35% of the operating profit during the year under review.

On-going major road projects being undertaken include:

	Amount (RM Million)
■ Federal Route 5: Kapar-Sabak Bernam & Klang-Banting, Selangor (Rehabilitation and upgrading – Phase B)	383.2
■ Muar-Melaka-Alor Gajah-Simpang Ampat (Rehabilitation and upgrading)	353.9
■ Utan Aji, Perlis-Changlun, Kedah (Upgrading)	185.6
■ Kuching-Serian, Sarawak (Upgrading)	83.9

Our cyclical construction earnings from projects has been cushioned by more stable earnings from three (3) 15-year concessions as follows:

- Federal road maintenance concession of about 5600km in Selangor and East Coast of Peninsular Malaysia which will expire in 2016.
- Federal road maintenance concession of about 373km in Sibul, Bintulu and Mukah divisions in Sarawak which will expire in 2018.
- The Ikram's privatisation, valued at RM348.3 million in fee to provide a range of concession services including geotechnical, structural and material testing, site investigation and soil testing, pavement evaluation, training, research and development to the Government up to 2011.

On the whole, the above contributed 48% of the Group's profit in 2004.

It was also a special year for Kuala Lumpur Infrastructure University College (KLIUC) when the YAB Prime Minister Dato' Seri Abdullah Hj Ahmad Badawi officially opened our education-cum-research arm on 3 December 2004. To quote the YAB Prime Minister: "It gives me great comfort to know that the KLIUC – an institute of higher learning specialising in developing highly-skilled human capital in infrastructure development related services – is flourishing in Malaysia. It is my sincere hope that the budding generation of engineers here at KLIUC will apply the knowledge and skills that they learn here to develop high-quality infrastructure that can also contribute to the well-being of all Malaysians."

On the need to venture overseas, particularly after taking cognisance of the less vibrant local construction sector, we have been more active in pursuing overseas projects albeit with the awareness that we have to be prudent in countries which we may not be familiar with. Nevertheless, as announced to Bursa Malaysia Securities Berhad, we have already made some inroads.

With our modest foothold in Papua New Guinea and having secured a distributorship agreement to sell machinery and products for infrastructure projects manufactured in China, given time, we hope to increase our presence overseas.

## **DIVIDENDS**

For the financial year ended 31 December 2004, the Company has paid an interim dividend of 6.388% less 28% taxation or net dividend of 2.3 sen per share on 18 January 2005. In addition, subject to shareholders' approval at the forthcoming Annual General Meeting, the directors are recommending a final dividend of 11.12% less 28% taxation or a net dividend of 4 sen per share. This brings our total net dividend payout for the year under review to 6.3 sen per share as against 5.76 sen per share in the previous year.

## **OUTLOOK**

Barring any unforeseen circumstances, we are hopeful that the Group's profit for 2005 will be similar to 2004 based on existing on-going projects and concessions in hand.

## **APPRECIATION**

As always, we would like to record our appreciation to our clients, bankers, shareholders, fellow Board members, management, staff, business associates and all those who have supported us in the year under review.

We also wish to thank the various authorities for the guidance given in the conduct of our business activities.

Thank you.

**Dato' Hasnur Rabiain Ismail**  
Executive Chairman

# CALENDAR

## 14 MARCH 2004

### ROADEX 2004 Exhibition

Protasco Berhad took part in the Abu Dhabi Road Exhibition & Conference (ROADEX 2004) which was held from 14 – 17 March in United Arab Emirates.

The exhibition brought together exhibitors from 33 countries featuring their innovative, state-of-the-art technologies and practices in the various fields of highway transportation systems.

## 19 APRIL 2004

### International Seminar on Asphalt Pavement Technology

Kumpulan Ikram Sdn Bhd organised the 2nd Ikram International Seminar on Asphalt Pavement Technology (ISAPT II-2004) at a local hotel in Putrajaya to share with the industry's experts the latest development in Asphalt Pavement Technology.

The 2-day seminar was attended by 300 local and foreign participants. The opening ceremony was officiated by the Deputy Works Minister, YB Dato' Ir Mohd Zin Mohamed.

## 6 MAY 2004

### Visit by Deputy Minister of Works, Malaysia

The Deputy Minister of Works, Malaysia, YB Datuk Ir Mohd Zin Mohamed paid a visit to Kumpulan Ikram Sdn Bhd in what was described as the Ministry's effort to stay in touch with the grassroots. The Minister and his delegates were briefed on Kumpulan Ikram Sdn Bhd's business activities by Managing Director, YBhg Dato' Ir Chong Ket Pen.

## 31 MAY 2004

### IKRAM and JKR Sign MOA

Kumpulan Ikram Sdn Bhd signed a Memorandum of Agreement with the Government of Malaysia to carry out a joint research and development (R&D) program to improve road engineering technologies in Johor Bahru.



19 APRIL 2004

6 MAY 2004

31 MAY 2004

30 AUGUST 2004

9 OCTOBER 2004

## 23 JUNE 2004

### 3rd Annual AGM

Protasco Berhad held its 3rd Annual General Meeting (AGM) at the Sunway Lagoon Resort Hotel.

## 1 JULY 2004

### KLIUC Enhances International Ties

KLIUC signed a tripartite MoU with New Zealand Institute of Highway Technology (NziHT) and AEC Education Group, New Zealand. The signing was witnessed by Dato' Omar Hj Mohd Hashim, a member of the Board of Governor of KLIUC.

The three organisations will have on their agenda, among others, the delivery of programmes and courses in Malaysia in the area of Road Technology and the development of academic collaboration and technology transfer arrangement that benefit both Malaysia and New Zealand.

## 30 AUGUST 2004

### IPTS Merdeka Night 2004

More than 1,500 enthusiastic crowd from several major private higher education institutions in Klang Valley congregated at KLIUC to celebrate the first ever "IPTS Merdeka Night 2004" organised by the Higher Education Ministry. The 12 o'clock countdown to mark the country's 47th anniversary of Independence was led by YB Datuk Dr Adham Baba, the Ministry of Higher Education's Parliamentary Secretary.

## 9 OCTOBER 2004

### KLIUC's 2nd Convocation Ceremony

A total of 267 students received their degrees, diplomas and certificates from YBhg Datin Rodiah Bt Meor Sulaiman, Deputy Secretary General (Management), Ministry of Higher Education who represented the Minister of Higher Education, YB Dato' Dr Shafie Bin Salleh at Kuala Lumpur Infrastructure University College's (KLIUC) second convocation ceremony.



# OF EVENTS

## 3 DECEMBER 2004

### PM Officiates KLIUC

Kuala Lumpur Infrastructure University College (KLIUC) was officially opened by YAB Dato' Seri Abdullah Hj Ahmad Badawi, the Prime Minister of Malaysia.

The occasion was made significant as the Prime Minister openly expressed his confidence that KLIUC will play a pivotal role in developing skilled human capital to push Malaysia's infrastructure development industry to greater heights.

## 21 DECEMBER 2004

### K-Trip to Petronas KLCC by Protasco's KM Champions

A K-sharing session involving Protasco Berhad and Petronas KM teams was held when the former visited Petronas KLCC Tower 1.

## 22 DECEMBER 2004

### MARA KM Team Visit Protasco's HQ

The MARA KM Function Team of 25 principals and vice-principals of MARA Colleges as well as representatives from "Bahagian Pendidikan & Latihan (Menengah)" and "Unit Naziran & Kualiti Pendidikan" MARA Head Office visited Protasco Berhad's HQ.

## 4 JANUARY 2005

### Protasco Berhad Lends Support to the Tsunami Victims

Protasco Berhad donated to the special fund set up by the NSTP group to enhance the relief efforts undertaken by caring Malaysian individuals and organisations.

## 5 JANUARY 2005

### Joining Hands to Assist Tsunami Victims

Roadcare (M) Sdn Bhd joined other caring Malaysian companies and organisations in their effort to assist the Tsunami victims in Aceh, Indonesia.

A mock backhoe key was presented to the Deputy Prime Minister, Dato' Seri Najib Razak to symbolise the backhoe that was presented by Roadcare to the cause.



3 DECEMBER 2004



22 DECEMBER 2004



5 JANUARY 2005



7 MARCH 2005

## 18 JANUARY 2005

### Dato' Norraesah Appointed as Independent Non-Executive Director

YBhg Dato' Dr Norraesah Binti Hj Mohamad was appointed as Independent Non-Executive Director of Protasco Berhad.

## 27 JANUARY 2005

### Protasco Berhad's Extraordinary General Meeting

Protasco Berhad held an Extraordinary General Meeting (EGM) to seek shareholders' approval for the Company to purchase its own shares. The shareholders were informed on the rationale of the proposed Share Buy-back Authority.

## 7 MARCH 2005

### Seminar on Landslide Monitoring and Disaster Early Warning System

KLIUC in collaboration with Public Works Department of Malaysia (PWD), organised a one-day seminar on Landslide Monitoring and Disaster Early Warning System. The seminar was officiated by Dato' Prof Ir Dr Wahid Omar, PWD's Deputy Director General 1.

## 10 MARCH 2005

### Protasco Trading Signs Sole Distributorship Agreement with Chengdu Xinzhu

Protasco Trading Sdn Berhad (PTSB), a wholly-owned subsidiary of Protasco Berhad, signed a five-year sole distributorship agreement with China's Chengdu Xinzhu Road And Bridge Machinery Co., Ltd in Chengdu, China. PTSB was granted the sole and exclusive rights to purchase infrastructure related machinery and products for resale in seven countries – Malaysia, Singapore, Brunei, Indonesia, Thailand, Papua New Guinea and East Timor.





Kuala Lumpur Infrastructure University College (KLIUC), the academic arm of PROTASCO Group, is a dynamic university college committed to produce graduates with specialised skills in Engineering, Business and Information Technology to contribute to the country's rapid progress.



# AUDIT COMMITTEE REPORT

## **MEMBERSHIP AND MEETINGS**

The Audit Committee comprises three members as follows:

**Datin Normah binti Kassim** – Chairperson (Independent Non-Executive Director)

**Azliza binti Ahmad Tajuddin** – Member (Independent Non-Executive Director)

**Dato' Chong Ket Pen** – Member (Managing Director)

The Audit Committee held five (5) meetings during the financial year ended 31 December 2004, which were attended by all the members.

## **SUMMARY OF ACTIVITIES**

The following are the main duties and responsibilities of the Audit Committee:

- (i) Discuss the appointment of external auditors and their audit fees, the nature and scope of the audit, the audit plan and ensure co-ordination where more than one audit firm is involved;
- (ii) Review the adequacy of the scope, functions and resources of the Internal Audit Department and that it has the necessary authority to carry out its work;
- (iii) Review and discuss the major issues raised in the internal audit reports, audit's recommendations, management's response and actions taken to strengthen internal control system;
- (iv) Review the quarterly results and annual financial statements of the Group and its subsidiaries prior to approval by the Board of Directors, focusing particularly on unusual events and compliance with accounting standards and other regulatory requirements;
- (v) Review any related party transactions and conflict of interest situation that may arise within the Group and to ensure that such transactions are undertaken at arm's length, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company; and
- (vi) Consider other issues as defined by the Board.

## **INTERNAL AUDIT FUNCTION**

The Group has an Internal Audit Department, which reports to the Audit Committee and assists the Board in monitoring and managing risks and internal controls. The principal responsibility of the Internal Audit Department is to undertake an independent, regular and systematic review of the system of internal control so as to provide reasonable assurance that internal controls and risks are satisfactorily monitored and managed within the Group.

In addition, the Internal Audit Department also conducts special audits and investigations on an ad-hoc basis as requested by either the Audit Committee or Management.

For the year ended 31 December 2004, a number of control weaknesses have been identified during the audit process but none are material or have significant impact on the Group. All the weaknesses highlighted had been addressed accordingly.

# AUDIT COMMITTEE REPORT

## **TERMS OF REFERENCE**

1. To review the following and report the same to the Board of Directors:
  - (a) with the external auditors:
    - (i) the external audit plan,
    - (ii) the evaluation of the system of internal controls; and
    - (iii) the external audit report.
  - (b) assistance given by the Company's officers to the external auditors;
  - (c) adequacy of the scope, functions and resources of the Internal Audit Department and that it has the necessary authority to carry out its works;
  - (d) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether appropriate action is taken on the recommendations of the internal audit function;
  - (e) the quarterly financial report and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
    - (i) changes in or implementation of major accounting policy;
    - (ii) significant and unusual events;
    - (iii) the going concern assumption; and
    - (iv) compliance with accounting standards and other legal requirements.
  - (f) any related party transactions and conflict of interest situation that may arise within the Group, including any transaction, procedure or course of conduct that raises questions of management integrity;
  - (g) letter of resignation from the external auditors, if any; and
  - (h) whether there is any reason (supported by grounds) to believe that the external auditor are not suitable for reappointment.
2. To consider the nomination of external auditors.
3. To perform such other functions as may be agreed to by the Audit Committee and the Board of Directors.

The authority, responsibility and specific duties of the Audit Committee are set out in the Audit Committee Charter.

## **AUDIT COMMITTEE CHARTER**

### **1. Composition**

- 1.1 The Audit Committee shall comprise at least three directors, a majority of whom are independent of management and operating responsibilities. There shall be at least one member who is:
- (a) a member of the Malaysian Institute of Accountants; or
  - (b) otherwise, he shall have at least 3 years' working experience and
    - (i) he shall have passed the examinations specified in Part 1 of the First Schedule of the Accountants Act 1967; or
    - (ii) he shall be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
  - (c) (i) a degree/masters/doctorate in accounting or finance and at least 3 years' post qualification experience in accounting or finance; or
    - (ii) at least 7 years' experience being a Chief Financial Officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
- 1.2 The members of the Audit Committee shall elect a Chairman from among their number who shall be an independent director.
- 1.3 No alternate director shall be appointed as a member of the Audit Committee.
- 1.4 Any vacancy in the Audit Committee resulting in the non-compliance of the above shall be filled within three months.

### **2. Authority**

The Audit Committee shall:

- 2.1 have the authority to investigate any activity of the Group within its terms of reference;
- 2.2 have resources which are required to perform its duties;
- 2.3 have full and unrestricted access to the Group's information;
- 2.4 have direct communication channels with the external auditors, internal auditors and all employees of the Group;
- 2.5 be able to obtain independent professional advice; and
- 2.6 be able to convene meetings with the external auditors (excluding the executive members of the committee), if necessary.

### **3. Responsibility**

The Audit Committee serves as a focal point for communication between non-audit committee directors, the external auditors, internal auditors and the company's management as their duties relate to financial accounting and reporting and controls. The Audit Committee assists the Board of Directors in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Company and all subsidiaries and the sufficiency of auditing relative thereto. It is to be the Board's principal agent in assuring the independence of the Company's external auditors, the integrity of management, and the adequacy of disclosures to shareholders.

# AUDIT COMMITTEE REPORT

## 4. Meetings

### 4.1 Frequency

The audit committee is to meet at least four times per year.

### 4.2 Quorum and Attendance

Quorum shall be majority of the members who are Independent Directors. If necessary or desirable, the Chairman may request that members of management, the Head of Internal Audit and representatives of the external auditors be present at meetings of the committee.

### 4.3. Secretary

The Company Secretary or his/her representative shall be the Secretary of the Audit Committee.

### 4.4 Minutes

Minutes of each Audit Committee meeting are to be made available to the Board of Directors.

### 4.5 Specific Duties

The audit committee is to:

- 4.5.1 Review with the Company's management, external auditors and the internal auditor, the Company's general policies and procedures to reasonably assure the adequacy of internal accounting and financial reporting controls.
- 4.5.2 Make all necessary enquiries of management and the external auditors concerning established standards of corporate conduct and performance, and deviations therefrom.
- 4.5.3 Review the scope and general extent of the external auditor's examination, including their engagement letter.
- 4.5.4 Review with management and the external auditors upon completion of their audit, financial results for the year prior to the release to the public. This review is to encompass:
  - (i) significant transactions not forming a normal part of the Company's operations;
  - (ii) changes, if any, during the year in the Company's accounting principles or their application; and
  - (iii) significant adjustments proposed by the external auditors.
- 4.5.5 Evaluate the cooperation received by the external auditors during their examination, including their access to all requested records, data and information. Also, elicit the comments of management regarding the responsiveness of the external auditors to the Company's needs. Enquire the external auditors whether there have been any disagreements with management, which if not satisfactorily resolved would have caused them to issue a non-standard report on the company's financial statements.
- 4.5.6 Discuss with the external auditors any relevant recommendations, which the external auditors may have, especially those in their letter of comments and recommendations. Topics to be considered during this discussion include improving internal financial controls, the selection of accounting principles, and management reporting systems. Review written responses of management to the letter of comments and recommendations from the external auditors.
- 4.5.7 Review the scope and results of the internal audit procedures and discuss with the Company's management the remedial actions taken on the areas that need improvement.
- 4.5.8 Apprise the Board of Directors, through minutes and special presentations as necessary, of significant developments in the course of performing the above duties.
- 4.5.9 Recommend to the Board of Directors the retention or non-retention of the external auditors.



#### 4.6 Audit Committee Report

The Audit Committee shall assist the Board of Directors in preparing an Audit Committee report at the end of each financial year, to be clearly set out in the Annual Report of the Company, comprising the following:

- 4.6.1 The composition of the Audit Committee, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the directors are independent or otherwise).
- 4.6.2 The terms of reference of the Audit Committee.
- 4.6.3 The number of Audit Committee meetings held during the financial year and details of attendance of each Audit Committee member.
- 4.6.4 A summary of the activities of the Audit Committee in the discharge of its functions and duties for that financial year of the Company.
- 4.6.5 The existence of an internal audit function or activity and where there is such a function or activity, a summary of the activities of the function or activity. Where such a function or activity does not exist, an explanation of the mechanisms that exist to enable the Audit Committee to discharge its functions effectively.

#### 5. Review of the Audit Committee

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

# STATEMENT ON CORPORATE GOVERNANCE

Protasco Berhad (Company) subscribes to the Malaysian Code on Corporate Governance (Code). Thus, the Company is committed to ensure that all corporate governance requirements are earnestly and consistently followed within the Group to the maximum extent possible.

## **COMPLIANCE WITH THE CODE**

The Company's Board of Directors (Board) is of the view that it has on the whole complied with the principles and best practices outlined in the Code. All the independent directors are free from any business or other relationship which could materially interfere with the exercise of their independent judgment.

## **BOARD OF DIRECTORS**

### **The Board**

The Board shares a common objective of providing the best possible services in road construction, maintenance, upgrading and rehabilitation, which are effectively supported by related engineering, trading, R&D, education and training services.

With the overall responsibility for the Company's strategic direction, the Board is steadfast in giving due attention to matters pertaining to corporate strategy, business operations and performance amid changes in the marketplace.

### **Composition of the Board and Board Balance**

Currently the Board has six members comprising the Executive Chairman, Managing Director and four Independent Non-Executive Directors.

There is balance in the board with the presence of four Independent Non-Executive Directors who have the necessary skills and experience. Please refer to their profiles on pages 4 to 5 of this Annual Report.

### **Board Meeting**

As was the case in the previous year, the Company is pleased to announce that all Directors attended and participated fully in the Board Meetings that were held during the year under review.

### **Supply of and Access to Information and Advice**

The Company provides the Board with assistance and gives it full access to necessary materials and relevant information, as well as proper counsel from the Company Secretaries and others, to enable it to effectively discharge its functions. Indeed if they so wish, the Directors are encouraged to and not prevented from seeking external guidance.

### **Appointments & Re-election of Directors**

There has been a new appointment on 18 January 2005, bringing the number of Independent Non-Executive Directors to four (4), from three (3) previously.

In accordance with the Company's Articles of Association, at each Annual General Meeting, one-third of Directors or if their number is not three or a multiple of three, the number nearest to one-third, shall retire from office, provided that all Directors shall retire from office at least once in three years, but shall be eligible for re-election by the shareholders and the Directors to retire shall be those who have been longest in office since their last re-election or appointment.

## Directors' Remuneration

The remuneration of Directors is determined at levels that enable the Company to attract and retain the Directors with the relevant experience and expertise.

The service contract stipulates that the remuneration package for the Executive Directors comprise salary, allowances and benefits-in-kind.

During the year ended 31 December 2004, the aggregate remuneration of the Company's Directors was as follows:

	<b>RM</b>
Executive	1,559,040
Non-Executive	46,400

The number of Directors whose total remuneration fell within specific bands was as follows:

<b>Range of Remuneration</b>	<b>Number of Directors</b>	
	<b>Executive</b>	<b>Non-Executive</b>
RM500,000 – RM800,000	2	–
Below RM25,000	–	3

## REACHING OUT TO SHAREHOLDERS AND INVESTORS

### Investor and Media Relations

As a way to obtain feedback and discuss issues of mutual interests, the Company organised site visits and had meetings, briefings and interviews with analysts, investors and reporters.

The Company also issued timely release of its financial results and other required announcements, responded promptly to enquiries from reporters, analysts and investors and uploaded news and information on its dedicated website, [www.protasco.com.my](http://www.protasco.com.my)

Contact person:

**Marina Jaal**, Senior Manager, Corporate Communications

Tel: 8738 3282 Fax: 8926 4008 Email: [marina@protasco.com.my](mailto:marina@protasco.com.my)

### The Annual General Meeting (AGM)

The audited financial statements of the Group and the Company will be tabled at the AGM.

Shareholders are encouraged to attend and participate by raising any questions or highlighting any issues they wish to bring up. Those who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Indeed, shareholders may contact the Company at anytime throughout the year.

# STATEMENT ON CORPORATE GOVERNANCE

## **ACCOUNTABILITY & AUDIT**

### **Financial Reporting**

The Directors are required by the Companies Act, 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group. The Directors consider the presentation of the financial statements and ensure that the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates. The Audit Committee assists the Board by scrutinising the information to be disclosed to ensure accuracy and adequacy. The Group's financial statements are presented on pages 31 to 62 of this Annual Report.

### **Relationship with the Auditors**

Through the Audit Committee of the Board, the Group has established a transparent and appropriate relationship with the Group's auditors, both internal and external, particularly in seeking their professional advice and towards ensuring compliance with the accounting standards.

### **Internal Control**

The Board acknowledges their responsibility for the Group's system of internal controls and reviews its effectiveness regularly via the Internal Audit Department which provides support to the Audit Committee in discharging its duties with respect to the adequacy and integrity of the system of internal control within the Group. A Statement on Internal Control outlining the internal controls within the Group is presented on page 21 of this Annual Report.

## **STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS**

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

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

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

The Board has also ensured that the quarterly and annual financial statements of the Company and Group are released to Bursa Malaysia Securities Berhad in a timely manner in order to keep the investing public informed of the Group's latest development.

## **GOING CONCERN STATEMENT**

Upon exercising due and reasonable enquiry into the affairs of the Company, the Board is satisfied that the Company shall continue to operate as a going concern business in the foreseeable future.

# STATEMENT ON INTERNAL CONTROL

The Board is committed to maintaining a sound system of internal control to enhance and safeguard shareholders' investments and the Group's assets. The system of internal control covers not only financial controls but also operational and compliance controls.

The Board, however, recognises that there are inherent limitations in any system of internal controls, which is generally designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing these objectives, internal controls can only provide reasonable, and not absolute assurance against material misstatement or loss.

The key processes of the Group's internal control system include:

- Well-defined lines of responsibilities for the Board, management and each operating unit within the Group. The authority limits and operational system are subject to periodic review to ensure reliability and consistency in the Group;
- Each operating unit undertakes business planning and budgeting process each year to establish goals and targets against which performance is monitored on an ongoing basis. The Group's financial performance against budget is also presented to the Board for review and approval;
- Internal Audit Department performs periodic audits based on the Audit Plan approved by the Audit Committee to ascertain the effectiveness of the internal control system, recommend any areas for further improvement and subsequently monitors the implementation of its recommendations;
- Employees are sent for training in areas relevant to their work to ensure that they are technically sound and competent to discharge their duties effectively; and
- The Group has also formulated a formal code of conduct and ethics for its employees to increase their awareness and obtain their commitment for professional and ethical business conduct throughout their employment with the Group.



# OTHER COMPLIANCE INFORMATION

## **1. SHARE BUYBACKS**

During the financial year, there were no share buybacks by the Company.

## **2. AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMMES**

During the financial year, the Company did not sponsor any ADR or GDR programmes.

## **3. IMPOSITION OF SANCTIONS AND/OR PENALTIES**

During the financial year, there were no material sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies.

## **4. NON-AUDIT FEES**

The amount of non-audit fees paid to the external auditors by the Group for the financial year ended 31 December 2004 amounted to RM35,375.

## **5. VARIATION IN RESULTS FOR THE FINANCIAL YEAR**

There was no deviation of 10% or more between the profit after tax and minority interest (PATAMI) stated in the announced unaudited results and the audited financial statements of the Group for the financial year ended 31 December 2004.

## **6. PROFIT GUARANTEE**

During the financial year, there was no profit guarantee given by the Company.

## **7. MATERIAL CONTRACTS**

Other than as disclosed in Note 32 to the Financial Statements and the Circular to Shareholders dated 6 May 2005, there were no material contracts entered into by the Company or its subsidiaries involving Directors' and major shareholders' interests since the end of the previous financial year.

## **8. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**

The Company did not issue any options or warrants or convertible securities during the financial year ended 31 December 2004.

## **9. REVALUATION POLICY OF LANDED PROPERTIES**

Protasco Group does not adopt a policy of regular revaluation.

## **10. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE OR TRADING NATURE**

The Company will be seeking a mandate from the shareholders to enter into recurrent related party transactions of revenue or trading nature at the forthcoming AGM of the Company. Details on the Recurrent Related Party Transactions are set out below and in the Circular to Shareholders dated 6 May 2005.

**10. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE OR TRADING NATURE (CONTINUED)**

<b>Transacting Parties</b>	<b>Relationship</b>	<b>Nature of Transactions</b>	<b>Name of Companies</b>	<b>Amount Transacted During the Financial Year (RM'000)</b>
PLUS Expressways Berhad ("PLUS")	PLUS is a connected person to Projek Penyelenggaraan Lebuhraya Berhad ("PROPEL"), a major shareholder of Paves Sdn Bhd	Provision of pavement and structural evaluation services	Kumpulan Ikram Sdn Bhd	514
C&H Engineering Consultants Sdn Bhd	Both Dato' Hasnur Rabiain Ismail and Dato' Chong Ket Pen are directors and major shareholders of C&H Engineering Consultants Sdn Bhd	Provision of infrastructure design and structural consultancy services	Kumpulan Ikram Sdn Bhd	138
Soil Centralab Sdn Bhd	Soil Centralab Sdn Bhd is a subsidiary of PROPEL	Provision of infrastructure design and structural consultancy services	Ikram Research Centre Sdn Bhd	70
C&H Engineering Consultants Sdn Bhd	Both Dato' Hasnur Rabiain Ismail and Dato' Chong Ket Pen are directors and major shareholders of C&H Engineering Consultants Sdn Bhd	Provision of infrastructure design and structural consultancy services	Ikram Research Centre Sdn Bhd	321
C&H Engineering Consultants Sdn Bhd	Both Dato' Hasnur Rabiain Ismail and Dato' Chong Ket Pen are directors and major shareholders of C&H Engineering Consultants Sdn Bhd	Receipt of consultancy services for road construction works	Ikram Research Centre Sdn Bhd	290
Soil Centralab Sdn Bhd	Soil Centralab Sdn Bhd is a subsidiary of PROPEL	Provision of pavement and structural evaluation services	Ikram Engineering Services Sdn Bhd	18
C&H Engineering Consultants Sdn Bhd	Both Dato' Hasnur Rabiain Ismail and Dato' Chong Ket Pen are directors and major shareholders of C&H Engineering Consultants Sdn Bhd	Provision of pavement and structural evaluation services	Kumpulan Ikram (Sarawak) Sdn Bhd	144
Muhibbah Engineering (M) Bhd	Muhibbah Engineering (M) Bhd is a major shareholder of Roadcare (M) Sdn Bhd	Provision of road construction works	HCM Engineering Sdn Bhd	3,019

# OTHER COMPLIANCE INFORMATION

## 10. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE OR TRADING NATURE (CONTINUED)

Transacting Parties	Relationship	Nature of Transactions	Name of Companies	Amount Transacted During the Financial Year (RM'000)
PROPEL	PROPEL is a major shareholder of Paves Sdn Bhd	Provision of road construction works	HCM Engineering Sdn Bhd	3,338
PROPEL	PROPEL is a major shareholder of Paves Sdn Bhd	Sub-contracting of road construction works	HCM Engineering Sdn Bhd	592
TH Technologies Sdn Bhd	TH Technologies Sdn Bhd is a major shareholder of Roadcare (M) Sdn Bhd	Provision of road construction works	HCM Engineering Sdn Bhd	4,008
C&H Engineering Consultants Sdn Bhd	Both Dato' Hasnur Rabiain Ismail and Dato' Chong Ket Pen are directors and major shareholders of C&H Engineering Consultants Sdn Bhd	Receipt of consultancy services for road construction works	HCM Engineering Sdn Bhd	4,576
TH Technologies Sdn Bhd	TH Technologies Sdn Bhd is a major shareholder of Roadcare (M) Sdn Bhd	Sub-contracting of road construction works	HCM-TH Technologies Sdn Bhd	35,821
Muhibbah Engineering (M) Bhd	Muhibbah Engineering (M) Bhd is a major shareholder of Roadcare (M) Sdn Bhd	Sales of Goods	Protasco Trading Sdn Bhd	52
TH Technologies Sdn Bhd	TH Technologies Sdn Bhd is a major shareholder of Roadcare (M) Sdn Bhd	Sales of Goods	Protasco Trading Sdn Bhd	3,513
Manjit Singh SMRP	Benny Soh Seow Leng is a partner of Manjit Singh Sachdev, Mohammad Radzi & Partners	Receipt of legal advisory services	Protasco Trading Sdn Bhd	2
KIP Management Sdn Bhd ("KIP")	Ghazali Hussin, a former director of Ikram Geotechnics Sdn Bhd is also a director and major shareholder of KIP	Fees on referring projects or works	Kumpulan Ikram Sdn Bhd	2,450
KIP	Ghazali Hussin, a former director of Ikram Geotechnics Sdn Bhd is also a director and major shareholder of KIP	Provision of project management consultancy services	Kumpulan Ikram Sdn Bhd	2,018



# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2004.

## **PRINCIPAL ACTIVITY**

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are described in Note 13 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

## **RESULTS**

	Group RM'000	Company RM'000
Profit after taxation	63,252	6,991
Minority interests	(17,256)	—
Net profit for the year	45,996	6,991

There were no material transfers to or from reserves or provisions during the year.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the acquisition of subsidiaries as disclosed in Note 13 to the financial statements.

## **DIVIDENDS**

The amount of dividends declared by the Company since 31 December 2003 were as follows:

	RM'000
In respect of the financial year ended 31 December 2003 as reported in the directors' report of that year:	
Final dividend of 10% less 28% taxation, declared on 23 June 2004 and paid on 12 July 2004	10,800
In respect of the financial year ended 31 December 2004:	
First interim dividend of 6.39% less 28% taxation, declared on 24 November 2004 and paid on 18 January 2005	6,900

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2004, of 11.12% less 28% taxation on 300,000,000 ordinary shares, amounting to a total dividend of RM12,009,600 (4 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2005.

## **DIRECTORS**

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Hasnur Rabiain Bin Ismail

Dato' Chong Ket Pen

Datin Normah Binti Kassim

Benny Soh Seow Leng

Azliza Binti Ahmad Tajuddin

Dato' Dr Norraesah Binti Hj Mohamad (*Appointed on 18 January 2005*)

## **DIRECTORS' BENEFITS**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive any benefits (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 32 to the financial statements.

## **DIRECTORS' INTERESTS**

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

<b>The Company</b>	<b>Number of Ordinary Shares of RM0.50 each</b>			<b>31 December 2004</b>
	<b>1 January 2004</b>	<b>Bought</b>	<b>Sold</b>	
<b>Direct Interest</b>				
Dato' Hasnur Rabiain Bin Ismail	38,739,144	190,000	—	<b>38,929,144</b>
Dato' Chong Ket Pen	15,890,074	339,000	—	<b>16,229,074</b>
Datin Normah Binti Kassim	95,000	—	—	<b>95,000</b>
Benny Soh Seow Leng	170,000	—	—	<b>170,000</b>
Azliza Binti Ahmad Tajuddin	149,500	—	—	<b>149,500</b>
<b>Indirect Interest</b>				
Dato' Hasnur Rabiain Bin Ismail	128,891,426	—	—	<b>128,891,426</b>
Dato' Chong Ket Pen	107,833,898	—	—	<b>107,833,898</b>

All the directors of the Company, by virtue of their interest in shares in the Company are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

## **OTHER STATUTORY INFORMATION**

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
  - the values attributed to current assets in the financial statements of the Group and of the Company misleading.



# DIRECTORS' REPORT

## **OTHER STATUTORY INFORMATION (CONTINUED)**

- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year other than as disclosed in Note 31 to the financial statements.
- (f) In the opinion of the directors:
  - (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

## **OTHER SIGNIFICANT EVENTS**

- (a) On 29 January 2004, Ikram C & S Sdn Bhd, a wholly owned subsidiary of Kumpulan Ikram Sdn Bhd, changed its name to Ikram Research Centre Sdn Bhd.
- (b) On 2 April 2004, the Company acquired 70% equity interest in Protasco Infratech (M) Sdn Bhd, a newly incorporated company in Malaysia for a cash consideration of RM7. Subsequently, on 5 April 2004, the subsidiary increased its issued and paid-up capital from RM10 to RM100,000 by an allotment of 99,990 ordinary shares of RM1 each. As such, the Company's investment in the subsidiary increased from RM7 to RM70,000 by subscribing to 69,993 ordinary shares of RM1 each. The equity interest in the subsidiary remains at 70%.
- (c) On 24 May 2004, the Company acquired 100% equity interest in Protasco Land Sdn Bhd, a company incorporated in Malaysia for a cash consideration of RM2.
- (d) On 14 September 2004, HCM Engineering Sdn Bhd, a wholly owned subsidiary of the Company, acquired 100% equity interest in HCM Engineering (PNG) Ltd, a newly incorporated company in Papua New Guinea for a cash consideration of RM2. Subsequently, on 12 April 2005, HCM Engineering Sdn Bhd further increased its investment to RM1,625,000. The equity interest in the subsidiary remains at 100%.
- (e) On 12 October 2004, Ikram Services Sdn Bhd, a wholly owned subsidiary of Kumpulan Ikram Sdn Bhd, changed its name to Ikram Engineering Services Sdn Bhd.

## **AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors

**Dato' Hasnur Rabiain Bin Ismail**

**Dato' Chong Ket Pen**

Kuala Lumpur, Malaysia  
27 April 2005

# STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Hasnur Rabiain Bin Ismail and Dato' Chong Ket Pen, being two of the directors of Protasco Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 31 to 62 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2004 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors

**Dato' Hasnur Rabiain Bin Ismail**

**Dato' Chong Ket Pen**

Kuala Lumpur, Malaysia  
27 April 2005

# STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Sofia Binti Zakaria, being the Officer primarily responsible for the financial management of Protasco Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 31 to 62 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared  
by the abovenamed Sofia Binti Zakaria  
at Kuala Lumpur in the Federal Territory  
on 27 April 2005

**Sofia Binti Zakaria**

Before me,

**Soh Ah Kau**, AMN (No. W315)  
Commissioner for Oaths

# REPORT OF THE AUDITORS

## TO THE MEMBERS OF PROTASCO BERHAD

We have audited the financial statements set out on pages 31 to 62. These financial statements are 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 applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 December 2004 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the Auditors' Reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 13 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company 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 Auditors' Reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

**Ernst & Young**  
AF: 0039  
Chartered Accountants

**Tan Soo Yan**  
No. 1307/03/06 (J/PH)  
Partner

Kuala Lumpur, Malaysia  
27 April 2005

# INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Revenue	3	<b>582,446</b>	479,816	<b>12,361</b>	22,505
Cost of sales	4	<b>(428,578)</b>	(370,514)	—	—
Gross profit		<b>153,868</b>	109,302	<b>12,361</b>	22,505
Other operating income		<b>6,336</b>	9,665	<b>108</b>	50
Administrative expenses		<b>(50,116)</b>	(13,797)	<b>(2,688)</b>	(1,013)
Selling and marketing expenses		<b>(44)</b>	(41)	—	—
Other operating expenses		<b>(21,753)</b>	(27,747)	—	—
Profit from operations	5	<b>88,291</b>	77,382	<b>9,781</b>	21,542
Finance costs	8	<b>(764)</b>	(1,625)	—	—
Share of results of associated company		<b>344</b>	(19)	—	—
Profit before taxation		<b>87,871</b>	75,738	<b>9,781</b>	21,542
Taxation	9	<b>(24,619)</b>	(23,223)	<b>(2,790)</b>	(4,124)
Profit after taxation		<b>63,252</b>	52,515	<b>6,991</b>	17,418
Minority interests		<b>(17,256)</b>	(10,632)	—	—
Profit for the year		<b>45,996</b>	41,883	<b>6,991</b>	17,418
Earnings per share (Sen)					
— Basic	10	<b>15.3</b>	25.6		
Dividends per share (Sen)					
— First interim and final	11	<b>5.90</b>	2.16	<b>5.90</b>	2.16

The accompanying notes form an integral part of the financial statements.

# BALANCE SHEETS

AS AT 31 DECEMBER 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	12	<b>181,989</b>	190,210	—	—
Investment in subsidiaries	13	—	—	<b>131,798</b>	131,728
Investment in associated companies	14	<b>1,763</b>	21	—	—
Other investment	15	<b>367</b>	330	—	—
		<b>184,119</b>	190,561	<b>131,798</b>	131,728
<b>CURRENT ASSETS</b>					
Inventories	16	<b>309</b>	409	—	—
Trade receivables	17	<b>188,725</b>	164,380	—	—
Other receivables	18	<b>4,090</b>	3,417	<b>64,797</b>	69,025
Tax recoverable		<b>2,908</b>	1,023	<b>81</b>	81
Other investment	19	<b>12,506</b>	12,197	—	—
Cash and bank balances	21	<b>135,848</b>	182,771	<b>4,268</b>	10,132
		<b>344,386</b>	364,197	<b>69,146</b>	79,238
<b>CURRENT LIABILITIES</b>					
Trade payables	22	<b>154,416</b>	181,197	—	—
Other payables	23	<b>17,636</b>	17,659	<b>285</b>	22
Borrowings	24	<b>3,468</b>	8,357	—	—
Dividends payable		<b>6,900</b>	6,480	<b>6,900</b>	6,480
Taxation		<b>4,254</b>	10,008	<b>4</b>	—
		<b>186,674</b>	223,701	<b>7,189</b>	6,502
<b>NET CURRENT ASSETS</b>					
		<b>157,712</b>	140,496	<b>61,957</b>	72,736
		<b>341,831</b>	331,057	<b>193,755</b>	204,464
<b>FINANCED BY:</b>					
Share capital	26	<b>150,000</b>	150,000	<b>150,000</b>	150,000
Share premium		<b>43,531</b>	43,531	<b>43,531</b>	43,531
Retained profits	27	<b>63,694</b>	35,398	<b>224</b>	10,933
		<b>257,225</b>	228,929	<b>193,755</b>	204,464
Minority interests		<b>31,933</b>	34,790	—	—
Reserve on consolidation	28	<b>42,790</b>	55,314	—	—
Deferred tax liabilities	29	<b>7,529</b>	7,761	—	—
Borrowings	24	<b>2,354</b>	4,263	—	—
		<b>341,831</b>	331,057	<b>193,755</b>	204,464

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2004

	Share Capital RM'000	Share Premium RM'000	Distributable Retained Profit RM'000	Total RM'000
<b>Group</b>				
At 1 January 2003	*	—	(5)	(5)
Issue of share capital	150,000	43,531	—	193,531
Profit for the year	—	—	41,883	41,883
Dividends (Note 11)	—	—	(6,480)	(6,480)
At 31 December 2003	150,000	43,531	35,398	228,929
At 1 January 2004	<b>150,000</b>	<b>43,531</b>	<b>35,398</b>	<b>228,929</b>
Profit for the year	—	—	<b>45,996</b>	<b>45,996</b>
Dividends (Note 11)	—	—	<b>(17,700)</b>	<b>(17,700)</b>
At 31 December 2004	<b>150,000</b>	<b>43,531</b>	<b>63,694</b>	<b>257,225</b>
<b>Company</b>				
At 1 January 2003	*	—	(5)	(5)
Issue of share capital	150,000	43,531	—	193,531
Profit for the year	—	—	17,418	17,418
Dividends (Note 11)	—	—	(6,480)	(6,480)
At 31 December 2003	150,000	43,531	10,933	204,464
At 1 January 2004	<b>150,000</b>	<b>43,531</b>	<b>10,933</b>	<b>204,464</b>
Profit for the year	—	—	<b>6,991</b>	<b>6,991</b>
Dividends (Note 11)	—	—	<b>(17,700)</b>	<b>(17,700)</b>
At 31 December 2004	<b>150,000</b>	<b>43,531</b>	<b>224</b>	<b>193,755</b>

\* The issued and paid-up share capital of the Company on 1 January 2003 was 3 ordinary shares at RM1.00 each and was subsequently subdivided into 6 ordinary shares at RM0.50 each.

The accompanying notes form an integral part of the financial statements.



# CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	87,871	75,738	9,781	21,542
Adjustments for:				
Property, plant and equipment written off	—	105	—	—
Depreciation	20,823	11,599	—	—
Interest expense	764	1,625	—	—
Provision for stock obsolescence	—	88	—	—
Provision for doubtful debts	7	234	—	—
Share of results in associated company	(344)	19	—	—
Gain on disposal of property, plant and equipment	(477)	(504)	—	—
Amortisation of reserve on consolidation	(12,524)	(7,306)	—	—
Bad debts written off	61	—	—	—
Write back of provision for doubtful debts	(203)	(482)	—	—
Tax exempt dividends received from investment in unit trusts	(309)	(197)	—	—
Gross dividends from subsidiaries	—	—	(9,861)	(21,880)
Interest income	(2,964)	(1,107)	(108)	(50)
Operating profit before working capital changes	92,705	79,812	(188)	(388)
Inventories	100	(358)	—	—
Receivables	(24,883)	26,369	4,228	(69,025)
Payables	(26,802)	13,349	263	(725)
Cash generated from/(used in) operations	41,120	119,172	4,303	(70,138)
Interest paid	(764)	(1,625)	—	—
Tax paid	(32,490)	(15,452)	(25)	(5)
Net cash generated from/(used in) operating activities	7,866	102,095	4,278	(70,143)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	2,964	1,107	108	50
Deferred expenditure incurred	(37)	—	—	—
Purchase of property, plant and equipment	(13,683)	(20,682)	—	—
Net proceeds from acquisition of subsidiaries (Note 13)	—	104,305	—	—
Acquisition of marketable unit trust	(309)	(12,197)	—	—
Net dividends received from subsidiaries	—	—	7,100	17,680
Tax exempt dividends received from investment in unit trusts	309	197	—	—
Proceeds from sale of property, plant and equipment	1,558	1,027	—	—
Net cash (used in)/generated from investing activities	(9,198)	73,757	7,208	17,730

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net proceeds from issue of shares	—	62,545	—	62,545
Dividend paid	(17,280)	—	(17,280)	—
Dividends paid to minority shareholders	(20,113)	(7,350)	—	—
Additional investment in associated company	(1,400)	—	—	—
Investment in subsidiary company	—	—	(70)	—
Repayment of hire purchase and lease financing	372	(864)	—	—
Repayment of bank borrowings	(6,629)	(47,956)	—	—
Net cash (used in)/generated from financing activities	(45,050)	6,375	(17,350)	62,545
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(46,382)</b>	182,227	<b>(5,864)</b>	10,132
<b>CASH AND CASH EQUIVALENTS</b>				
<b>AT BEGINNING OF THE YEAR</b>	182,227	—	10,132	—
<b>CASH AND CASH EQUIVALENTS</b>				
<b>AT END OF THE YEAR (NOTE 21)</b>	135,845	182,227	4,268	10,132

The accompanying notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

## **1. CORPORATE INFORMATION**

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries and associated company are set out in Notes 13 and 14 respectively.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 312, 3rd Floor, Block C, Kelana Square, 17, Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan. The principal place of business is located at 87, Jalan Kampong Pandan, 55100 Kuala Lumpur.

The number of employees in the Group and in the Company at the end of the financial year were 1,477 (2003: 1,464) and 6 (2003: 6) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors of 27 April 2005.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Basis of Accounting**

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

### **(b) Basis of Consolidation**

#### **(i) Subsidiaries**

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed off during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet.

The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation. Negative goodwill is amortised on a straight-line basis over 5 years.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill which were not previously recognised in the consolidated income statement.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(b) Basis of Consolidation (CONTINUED)**

#### **(ii) Associated Company**

Associated company is a company in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in an associated company are accounted for in the consolidated financial statement by the equity method of accounting based on the audited or management financial statement of the associated company. Under the equity method of accounting, the Group's share of the profits less losses of the associated company during the year is included in the consolidated income statement. The Group's interest in the associated company is carried in the consolidated balance sheet at cost plus the Group's share of post acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition.

Unrealised gains or transactions between the Group and the associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are eliminated unless cost cannot be recovered.

### **(c) Investments in Subsidiaries and Associated Company**

The Company's investments in subsidiaries and associated company are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised to the income statement.

### **(d) Property, Plant and Equipment and Depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m) to the financial statements.

Freehold land is not depreciated. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

The principal annual rates used are as follows:

Buildings	2%
Renovation	10%
Reference books, office equipment, signboard, furniture and fittings	10% – 25%
Laboratory equipment, plant and machinery	15% – 20%
Motor vehicles	20%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

# NOTES TO THE FINANCIAL STATEMENTS

## **2. SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

### **(e) Construction Contracts**

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the completion of a physical proportion of the contract work.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is shown as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers on contracts.

### **(f) Inventories**

Inventories are stated at lower of cost (determined on the first-in, first-out basis) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories comprise engineering, technical spare parts and other consumable stocks.

### **(g) Cash and Cash Equivalents**

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

### **(h) Leases**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(d).

### **(i) Provisions for Liabilities**

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

## **2. SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

### **(j) Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

### **(k) Employee Benefits**

#### **(i) Short Term Benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### **(ii) Defined Contribution Plans**

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

### **(l) Revenue Recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

#### **(i) Sale of Goods**

Revenue relating to the sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

#### **(ii) Revenue from Services**

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

#### **(iii) Education and Training Fees**

Tuition and training fees are recognised on an accrual basis whereas non-refundable registration and enrolment fees are recognised when chargeable.



# NOTES TO THE FINANCIAL STATEMENTS

## **2. SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

### **(l) Revenue Recognition** (CONTINUED)

#### **(iv) Construction Contracts**

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2(e).

#### **(v) Dividend Income**

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

#### **(vi) Interest Income**

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

### **(m) Impairment of Assets**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense to the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

### **(n) Financial Instruments**

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

#### **(i) Non-Current Investments**

Non-current investments other than investments in subsidiaries and associated company are stated at cost less impairments losses. The policy for the recognition and measurement of impairment of losses is in accordance with Note 2(m).

On disposal of an investment the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

#### **(ii) Marketable Securities**

Marketable securities are carried at lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statement.

#### **(iii) Receivables**

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on review of all outstanding amounts as at the balance sheet date.

## **2. SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

### **(n) Financial Instruments** (CONTINUED)

#### **(iv) Payables**

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

#### **(v) Interest-Bearing Borrowings**

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

All other borrowing costs are recognised as an expense in the income statement as an expense in the period in which they are incurred.

#### **(vi) Equity Instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

## **3. REVENUE**

Revenue of the Group and of the Company consists of the following:

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gross dividends from subsidiaries	—	—	<b>9,861</b>	21,880
Management fees from subsidiaries	—	—	<b>2,500</b>	625
Construction and maintenance contracts	<b>443,311</b>	356,842	—	—
Sale of goods	<b>69,316</b>	76,994	—	—
Education and training fees	<b>20,461</b>	13,555	—	—
Engineering services	<b>41,819</b>	29,313	—	—
Others	<b>7,539</b>	3,112	—	—
	<b>582,446</b>	479,816	<b>12,361</b>	22,505

## **4. COST OF SALES**

Cost of sales represents contract costs recognised as an expense, cost of inventories sold and cost of services provided.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting):

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Staff costs (Note 6)	<b>50,661</b>	30,823	<b>2,017</b>	674
Non-executive director's remuneration (Note 7)	<b>46</b>	20	<b>46</b>	20
Auditor's remuneration				
— statutory audit	<b>156</b>	113	<b>10</b>	10
— other services	<b>5</b>	33	<b>5</b>	10
Property, plant and equipment written off	—	105	—	—
Depreciation	<b>20,823</b>	11,599	—	—
Provision for doubtful debts	<b>7</b>	234	—	—
Provision for stock obsolescence	—	88	—	—
Bad debts written off	<b>61</b>	—	—	—
Rental of:				
— office premises	<b>1,064</b>	2,100	—	—
— plant and machinery	<b>153</b>	225	—	—
— motor vehicles	<b>156</b>	208	—	—
— office equipment	<b>310</b>	81	—	—
Amortisation of reserve on consolidation	<b>(12,524)</b>	(7,306)	—	—
Gain on disposal of property, plant and equipment	<b>(477)</b>	(504)	—	—
Interest income	<b>(2,964)</b>	(1,107)	<b>(108)</b>	(50)
Tax exempt dividends received				
— from investment in unit trusts	<b>(309)</b>	(197)	—	—
Rental income	<b>(294)</b>	(189)	—	—
Write back of provision for doubtful debts	<b>(203)</b>	(482)	—	—

## 6. STAFF COSTS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Wages and salaries	<b>42,012</b>	26,242	<b>1,532</b>	580
Social security costs	<b>406</b>	217	<b>1</b>	1
Short term accumulating compensated absences	<b>117</b>	145	—	—
Pension costs – defined contribution plans	<b>4,615</b>	2,323	<b>208</b>	85
Other staff related expenses	<b>3,465</b>	1,896	<b>276</b>	8
	<b>50,615</b>	30,823	<b>2,017</b>	674

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM2,984,000 (2003: RM1,690,000) and RM1,559,000 (2003: RM513,000) respectively as further disclosed in Note 7.

## 7. DIRECTORS' REMUNERATION

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Directors of the Company</b>				
Executive:				
Salaries and other emoluments	1,392	664	1,392	458
Pension costs – defined contribution plans	167	81	167	55
Benefits-in-kind	56	33	—	—
	<b>1,615</b>	778	<b>1,559</b>	513
Non-Executive:				
Fees	36	20	36	20
Other emoluments	10	—	10	—
	<b>46</b>	20	<b>46</b>	20
<b>Other Directors</b>				
Executive:				
Salaries and other emoluments	1,297	770	—	—
Pension costs – defined contribution plans	135	84	—	—
Benefits-in-kind	72	49	—	—
	<b>1,504</b>	903	—	—
Non-Executive:				
Fees	192	91	—	—
Total	<b>3,357</b>	1,792	<b>1,605</b>	533
<b>Analysis excluding benefits-in-kind</b>				
Total executive directors' remuneration excluding benefits-in-kind	<b>2,991</b>	1,599	<b>1,559</b>	513
Total non-executive directors' remuneration excluding benefits-in-kind	<b>238</b>	111	<b>46</b>	20
Total excluding benefits-in-kind	<b>3,229</b>	1,710	<b>1,605</b>	533

The number of directors of the Company whose total remuneration during the year fall within the following bands is as follows:

	Number of Directors	
	2004	2003
<b>Executive Directors</b>		
RM750,001 – RM800,000	2	—
RM350,001 – RM400,000	—	2
<b>Non-Executive Directors</b>		
Below RM25,000	3	3

# NOTES TO THE FINANCIAL STATEMENTS

## 8. FINANCE COSTS

	Group	
	2004	2003
	RM'000	RM'000
Interest expense on		
— bank overdrafts	37	59
— hire purchase	267	166
— term loans	337	1,235
— others	123	165
	<b>764</b>	<b>1,625</b>

## 9. TAXATION

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Tax expense for the year:				
Charge for the year	24,487	18,941	2,790	4,124
Net under provision in prior years	364	4,348	—	—
	<b>24,851</b>	<b>23,289</b>	<b>2,790</b>	<b>4,124</b>
Deferred tax:				
Relating to origination and reversal of temporary differences	(299)	(66)	—	—
Under provision in prior years	67	—	—	—
	<b>(232)</b>	<b>(66)</b>	<b>—</b>	<b>—</b>
	<b>24,619</b>	<b>23,223</b>	<b>2,790</b>	<b>4,124</b>

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2003: 28%) of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	87,871	75,738	9,781	21,542
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	24,604	21,207	2,739	6,032
Expenses not deductible for tax purposes	162	385	96	18
Income not subject to tax	(533)	(2,544)	—	(1,926)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(45)	(173)	(45)	—
Net under provision of income tax in prior years	364	4,348	—	—
Under provision of deferred tax in prior years	67	—	—	—
Tax expense for the year	<b>24,619</b>	<b>23,223</b>	<b>2,790</b>	<b>4,124</b>
Tax savings recognised during the year arising from:				
Utilisation of tax losses and capital allowances brought forward from previous years	45	173	—	—

## 10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2004	2003
	RM'000	RM'000
Profit for the year (RM'000)	45,996	41,883
Weighted average number of ordinary share in issue ('000)	300,000	163,327
Basic earnings per share (sen)	15.33	25.64

## 11. DIVIDENDS

	Amount		Net Dividends Per Ordinary Share	
	2004	2003	2004	2003
	RM'000	RM'000	Sen	Sen
<b>Interim</b>				
6.39% less 28% taxation, declared on 24 November 2004 and paid on 18 January 2005	6,900	—	2.30	—
4.32% tax exempt dividend, declared on 30 December 2003 and paid on 10 February 2004	—	6,480	—	2.16
<b>Final</b>				
10% less 28% taxation, declared on 23 June 2004 and paid on 12 July 2004	10,800	—	3.60	—
	<b>17,700</b>	6,480	<b>5.90</b>	2.16

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2004, of 11.12% less 28% taxation on 300,000,000 ordinary shares, amounting to a total dividend of RM12,009,600 (4 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2005.

# NOTES TO THE FINANCIAL STATEMENTS

## 12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land	Freehold Buildings	Renovation	Reference Books, Office Equipment, Signboard, Furniture and Fittings	Laboratory Equipment, Plant and Machinery	Motor Vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>							
At 1 January 2004	72,000	46,355	8,530	30,137	75,030	30,409	262,461
Additions	—	—	522	3,077	9,345	739	13,683
Disposals	—	—	—	(142)	(982)	(934)	(2,058)
At 31 December 2004	<b>72,000</b>	<b>46,355</b>	<b>9,052</b>	<b>33,072</b>	<b>83,393</b>	<b>30,214</b>	<b>274,086</b>
<b>Accumulated Depreciation</b>							
At 1 January 2004	—	630	3,017	15,611	36,008	16,985	72,251
Charge for the year	—	927	1,064	4,608	9,515	4,709	20,823
Disposals	—	—	—	(106)	(410)	(461)	(977)
At 31 December 2004	—	<b>1,557</b>	<b>4,081</b>	<b>20,113</b>	<b>45,113</b>	<b>21,233</b>	<b>92,097</b>
<b>Net Book Value</b>							
At 31 December 2004	<b>72,000</b>	<b>44,798</b>	<b>4,971</b>	<b>12,959</b>	<b>38,280</b>	<b>8,981</b>	<b>181,989</b>
At 31 December 2003	72,000	45,725	5,513	14,526	39,022	13,424	190,210
Depreciation charge for 2003	—	538	325	2,343	5,522	2,871	11,599

(a) Certain property, plant and equipment of the Group with net book value of RM3,715,000 (2003: RM4,268,000) are held under hire purchase and lease arrangements.

(b) During the year, the Group acquired property, plant and equipment with an aggregate cost of RM2,454,000 (2003: RM442,000) by means of hire purchase and finance lease arrangements.

(c) Certain property, plant and equipment of the Group with net book value of RM115,900,000 (2003: RM118,230,000) were pledged to financial institutions as security to secure credit facilities as disclosed in Note 24.



### 13. INVESTMENT IN SUBSIDIARIES

	Company	
	2004 RM'000	2003 RM'000
Unquoted shares at cost	131,798	131,728

Details of subsidiaries are as follows:

Name of Company	Principal Activities	Country of Incorporation	Equity Interest Held	
			2004 %	2003 %
Kumpulan Ikram Sdn Bhd	Training, geotechnical laboratory, structural and material testing, soil investigation, research and development, listing of building materials, engineering and technical related activities and services	Malaysia	100	100
HCM Engineering Sdn Bhd	Road construction, rehabilitation and maintenance	Malaysia	100	100
Protasco Trading Sdn Bhd	Trading of construction materials and petroleum products	Malaysia	100	100
Paves Sdn Bhd	Provision of evaluation and testing services for road pavement	Malaysia	60	60
Protasco Infratech (M) Sdn Bhd	Trading of construction materials	Malaysia	70	—
Protasco Land Sdn Bhd	Property development	Malaysia	70	—

Details of subsidiaries held through Kumpulan Ikram Sdn Bhd are as follows:

Name of Company	Principal Activities	Country of Incorporation	Equity Interest Held	
			2004 %	2003 %
Ikram Engineering Services Sdn Bhd (formerly known as Ikram Services Sdn Bhd)	Site investigation and soil testing services	Malaysia	100	100
Kumpulan Ikram (Sabah) Sdn Bhd	Site investigation and soil testing services	Malaysia	60	60
Ikram Education Sdn Bhd*	Education services	Malaysia	100	100
Ikram Geotechnics Sdn Bhd*	Geotechnical services	Malaysia	100	100
Ikram Latihan Sdn Bhd*	Training courses	Malaysia	100	100
Ikram Research Centre Sdn Bhd* (formerly known as Ikram C&S Sdn Bhd)	Pavement evaluation and material testing	Malaysia	100	100
Ikram QA Services Sdn Bhd*	Certification and listing of products	Malaysia	100	100
Kumpulan Ikram (Sarawak) Sdn Bhd*	Site investigation and soil testing services	Malaysia	60	60
QP Industries Sdn Bhd*	Production of pavement materials	Malaysia	100	100

# NOTES TO THE FINANCIAL STATEMENTS

## 13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries held through HCM Engineering Sdn Bhd are as follows:

Name of Company	Principal Activities	Country of Incorporation	Equity Interest Held	
			2004 %	2003 %
Roadcare (M) Sdn Bhd*	Road construction and maintenance	Malaysia	<b>51</b>	51
HCM-TH Technologies Sdn Bhd*	Road construction and rehabilitation	Malaysia	<b>70</b>	70
HCM Engineering-Isyoda JV Sdn Bhd*	Road construction and rehabilitation	Malaysia	<b>51</b>	51
FRM Roadworks Sdn Bhd*	Road construction and maintenance	Malaysia	<b>51</b>	51
HCM-Ikhtisas Sdn Bhd*	Construction and maintenance	Malaysia	<b>60</b>	60
HCM Engineering (PNG) Ltd*	Infrastructure and construction	Papua New Guinea	<b>100</b>	—

\* Audited by firms of auditors other than Ernst & Young

On 2 April 2004, the company acquired 70% equity interest in Protasco Infratech (M) Sdn Bhd, a newly incorporated company in Malaysia for a cash consideration of RM7. Subsequently, on 5 April 2004, the subsidiary increased its issued and paid-up capital from RM10 to RM100,000 by an allotment of 99,990 ordinary shares of RM1 each. As such, the Company's investment in the subsidiary increased from RM7 to RM70,000 by subscribing to 69,993 ordinary shares of RM1 each. The equity interest in the subsidiary remains at 70%.

On 24 May 2004, the Company acquired 100% equity interest in Protasco Land Sdn Bhd, a company incorporated in Malaysia for a cash consideration of RM2.

On 14 September 2004, HCM Engineering Sdn Bhd, a wholly owned subsidiary of the Company, acquired 100% equity interest in HCM Engineering (PNG) Ltd, a newly incorporated company in Papua New Guinea for a cash consideration of RM2. Subsequently, on 12 April 2005, HCM Engineering Sdn Bhd further increased its investment to RM1,625,000. The equity interest in the subsidiary remains at 100%.

On 6 June 2003, the Company acquired 100% equity interest in Kumpulan Ikram Sdn Bhd, HCM Engineering Sdn Bhd and Protasco Trading Sdn Bhd and 60% equity interest in Paves Sdn Bhd for a total consideration of RM131,728,331 which was satisfied by the issue of 248,544,000 new ordinary shares of RM0.50 each of the Company at the issue price of RM0.53 each.

The acquisition had the following effect on the Group's financial results for the year:

	2004 RM'000	2003 RM'000
Revenue	<b>71</b>	479,816
Operating costs	<b>(86)</b>	(408,777)
Profit from operations	<b>(15)</b>	71,039

### 13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The acquisition had the following effect on the financial position of the Group as at the end of the year:

	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment	—	190,210
Deferred expenditure	<b>37</b>	—
Associated company	—	21
Other investments – non current asset	—	330
Inventories	<b>34</b>	409
Trade and other receivables	<b>25</b>	167,792
Tax recoverable	—	1,023
Other investments – current asset	—	12,197
Cash and bank balances	<b>229</b>	172,639
Trade and other payables	<b>(80)</b>	(198,834)
Borrowings	—	(12,620)
Taxation	—	(10,008)
Minority interest	—	(34,790)
Deferred taxation	—	(7,761)
<b>Group's share of net assets</b>	<b>245</b>	<b>280,608</b>

The fair value of the assets acquired and liabilities assumed from the acquisition of a subsidiary were as follows:

	<b>24.5.2004</b>	<b>6.6.2003</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Net Assets Acquired:</b>		
Property, plant and equipments	—	181,755
Deferred expenditure	<b>37</b>	—
Associated company	—	38
Other investment	—	330
Inventories	—	139
Trade and other receivables	—	193,918
Cash and bank balances	—	109,064
Trade and other payables	<b>(37)</b>	(184,172)
Bank overdrafts	—	(4,759)
Taxation	—	(1,148)
Deferred taxation	—	(7,827)
Borrowings	—	(60,895)
<b>Fair value of total net assets</b>	<b>*</b>	<b>226,443</b>
Less: Minority interest	—	(32,095)
<b>Group's share of net assets</b>	<b>*</b>	<b>194,348</b>
Reserve on consolidation	—	(62,620)
<b>Total consideration satisfied by shares</b>	<b>*</b>	<b>131,728</b>
<b>Net cash inflow arising on acquisition:</b>		
Cash and cash equivalents of subsidiaries acquired	—	104,305

\* Cash consideration of RM2.

# NOTES TO THE FINANCIAL STATEMENTS

## 14. INVESTMENT IN ASSOCIATED COMPANY

	Group	
	2004	2003
	RM'000	RM'000
Unquoted shares at cost	1,440	40
Share of post acquisition reserves	323	(19)
	<b>1,763</b>	21
Represented by:		
Share of net assets	1,763	21

Details of associated company held through HCM Engineering Sdn Bhd are as follows:

Name of Associated Company	Principal Activities	Country of Incorporation	Equity Interest Held	
			2004	2003
			%	%
THT-HCM JV Sdn Bhd	Road construction	Malaysia	40	40

## 15. OTHER INVESTMENT – NON-CURRENT ASSET

Other investment represents transferable corporate golf memberships, at cost.

## 16. INVENTORIES

	Group	
	2004	2003
	RM'000	RM'000
At cost:		
Stores and spares	309	409

## 17. TRADE RECEIVABLES

	Group	
	2004	2003
	RM'000	RM'000
Trade receivables	190,239	164,629
Due from customers on contracts (Note 20)	1,796	3,232
	<b>192,035</b>	167,861
Less: Provision for doubtful debts	<b>(3,310)</b>	(3,481)
	<b>188,725</b>	164,380

Trade receivables includes amounts due from TH Technologies Sdn Bhd, Muhibbah Engineering (M) Berhad, Endaya Construction Sdn Bhd and Projek Penyelenggaraan Lebuhraya Berhad and its related companies, amounting to RM8,410,000 (2003: RM13,190,000). These companies are the corporate shareholders of HCM-TH Technologies Sdn Bhd, Roadcare (M) Sdn Bhd, FRM Roadworks Sdn Bhd and Paves Sdn Bhd.

Trade receivables also includes amount due from C&H Engineering Consultants Sdn Bhd of RMNil (2003: RM158,000), which is a company owned substantially by directors of the Company, Dato' Hasnur Rabiain Bin Ismail and Dato' Chong Ket Pen.

The Group's normal trade credit term ranges from 30 to 60 days. Other credit terms are assessed and approved on a case by case basis.

The amount due from the Government of Malaysia forms a significant amount of the trade receivables. From past collections, the directors are of the opinion that the credit risk is low. Other than this, the group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

## 18. OTHER RECEIVABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Due from subsidiaries	—	—	64,792	69,020
Deposits	767	768	5	5
Prepayments	181	500	—	—
Sundry receivables	3,877	2,867	—	—
	<b>4,825</b>	4,135	<b>64,797</b>	69,025
Less: Provision for doubtful debts	(735)	(718)	—	—
	<b>4,090</b>	3,417	<b>64,797</b>	69,025

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

## 19. OTHER INVESTMENT – CURRENT ASSET

	Group	
	2004 RM'000	2003 RM'000
Unit trusts, quoted in Malaysia, at cost	12,506	12,197
Market value of quoted unit trusts	12,506	12,197

## 20. DUE FROM CUSTOMERS ON CONTRACTS

	Group	
	2004 RM'000	2003 RM'000
Construction contract costs incurred to date	802,353	643,214
Attributable profits	190,184	153,638
	<b>992,537</b>	796,852
Less: Progress billings	(990,741)	(793,620)
	<b>1,796</b>	3,232
Due from customers on contracts (Note 17)	<b>1,796</b>	3,232
Contract costs recognised as an expense	<b>156,502</b>	176,586

The costs incurred to date on construction contracts include the following charges made during the financial year:

	Group	
	2004 RM'000	2003 RM'000
Hire of plant and machinery	4,042	3,168
Rental expense	468	232

# NOTES TO THE FINANCIAL STATEMENTS

## 21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash on hand and at banks	20,756	37,200	68	6,332
Deposits with licensed banks	115,092	145,571	4,200	3,800
Cash and bank balances	135,848	182,771	4,268	10,132
Less: Bank overdrafts	(3)	(544)	—	—
Cash and cash equivalents	135,845	182,227	4,268	10,132

Deposits placed with licensed banks of the Group amounting to RM9,445,000 (2003: RM9,323,000) are pledged to banks for credit facilities granted to certain subsidiaries as referred to in Note 24.

The weighted average effective interest rates of deposits at the balance sheet date were as follows:

	Group		Company	
	2004 %	2003 %	2004 %	2003 %
Licensed banks	2.3	2.5	2.5	2.0

The average maturities of deposits as at the end of the financial year were as follows:

	Group		Company	
	2004 Days	2003 Days	2004 Days	2003 Days
Licensed banks	9	16	7	1

## 22. TRADE PAYABLES

Trade payables includes amounts due to Projek Penyelenggaraan Lebuhraya Berhad and its related companies, TH Technologies Sdn Bhd and C&H Engineering Consultants Sdn Bhd of RM12,002,000 (2003: RM3,344,000). The relationship with these companies have been disclosed in Note 17.

The normal trade credit terms granted to the Group range from 30 to 60 days.

## 23. OTHER PAYABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Accruals	3,562	2,677	285	22
Sundry payables	14,074	14,982	—	—
	17,636	17,659	285	22

## 24. BORROWINGS

	Group	
	2004	2003
	RM'000	RM'000
<b>Short Term Borrowings</b>		
Secured:		
Revolving credits	—	4,000
Term loans	2,238	2,111
Bank overdrafts	3	481
Trust receipts	—	518
Hire purchase and finance lease payables (Note 25)	1,227	1,184
	<b>3,468</b>	8,294
Unsecured:		
Bank overdrafts	—	63
	<b>3,468</b>	8,357
<b>Long Term Borrowings</b>		
Secured:		
Term loans	1,239	3,477
Hire purchase and finance lease payables (Note 25)	1,115	786
	<b>2,354</b>	4,263
<b>Total Borrowings</b>		
Revolving credits	—	4,000
Term loans	3,477	5,588
Bank overdrafts	3	544
Trust receipts	—	518
Hire purchase and finance lease payables (Note 25)	2,342	1,970
	<b>5,822</b>	12,620
Maturity of borrowings (excluding hire purchase and finance lease):		
Within one year	2,241	7,173
More than 1 year and less than 5 years	1,239	3,477
	<b>3,480</b>	10,650



# NOTES TO THE FINANCIAL STATEMENTS

## 24. BORROWINGS (CONTINUED)

The weighted average effective interest rates at the balance sheet date for borrowings, excluding hire purchase and finance lease payables, were as follows:

	Group	
	2004 RM'000	2003 RM'000
Revolving credits	—	4.1
Term loans	6.0	6.0
Bank overdrafts	7.7	7.1
Trust receipts	—	7.0

The term loans are secured by the following:

- (a) First legal charge over certain property, plant and equipment of certain subsidiaries.
- (b) Corporate guarantee by a subsidiary.

The other bank borrowings of the Group are secured by fixed and floating charge on certain property, plant and equipment and deposits placed with licensed banks of the Group as disclosed in Notes 12 and 21 respectively.

## 25. HIRE PURCHASE AND FINANCE LEASE PAYABLES

	Group	
	2004 RM'000	2003 RM'000
<b>Minimum lease payments</b>		
Not later than one year	1,375	1,364
Later than 1 year but not later than 5 years	1,254	893
	2,629	2,257
Less: Future finance charges	(287)	(287)
Present value of hire purchase	2,342	1,970
<b>Present value of finance lease liabilities</b>		
Not later than one year	1,227	1,184
Later than 1 year but not later than 5 years	1,115	786
	2,342	1,970
<b>Analysed as follows</b>		
Due within 12 months (Note 24)	1,227	1,184
Due after 12 months (Note 24)	1,115	786
	2,342	1,970

The hire purchase and lease liabilities bore interest at the balance sheet date of between 3.29% to 5.75% per annum.

## 26. SHARE CAPITAL

	Number of Ordinary Shares RM0.50 each		Amount	
	2004 '000	2003 '000	2004 RM'000	2003 RM'000
Authorised:				
At 1 January #	600,000	100	300,000	100
Subdivision	—	100	—	—
Created during the year	—	599,800	—	299,900
At 31 December	600,000	600,000	300,000	300,000
Issued and fully paid:				
At 1 January	300,000	*	150,000	*
Issued and paid-up during the year	—	300,000	—	150,000
At 31 December	300,000	300,000	150,000	150,000

# The authorised share capital of the Company on 1 January 2003 was 100,000 ordinary shares at RM1.00 each.

\* The issued and paid-up share capital of the Company on 1 January 2003 was 3 ordinary shares at RM1.00 each.

- (a) On 8 April 2003, the authorised share capital of the Company which was RM100,000 divided into 100,000 ordinary shares of RM1.00 each were altered by subdividing the 100,000 ordinary shares of RM1.00 each into 200,000 ordinary shares of RM0.50 each and that the existing ordinary shares of RM1.00 each fully paid up in the capital of the Company were divided into 2 ordinary shares of RM0.50 each credited as fully paid up.
- (b) On 6 June 2003, the Company increased its authorised share capital from RM100,000 to RM300,000,000 through the creation of 599,800,000 ordinary shares of RM0.50 each; and
- (c) The Company increased its issued and paid-up share capital from RM3 to RM150,000,000 by way of the issuance of 299,999,994 ordinary shares of RM0.50 each by the followings means:
- On 6 June 2003, the Company acquired the entire issued and paid-up capital of Kumpulan Ikram Sdn Bhd, HCM Engineering Sdn Bhd and Protasco Trading Sdn Bhd for a total purchase consideration of RM129,179,613 and 60% of the issued and paid-up capital of Paves Sdn Bhd for a total purchase consideration of RM2,548,718 to be satisfied by the issue of 248,544,000 new ordinary shares of RM0.50 each at an issue price of approximately RM0.53 per share. The share premium arising from these acquisitions amounted to RM7,456,320, and this has been credited to the share premium account. The new ordinary shares rank pari passu in all respects with existing ordinary shares; and
  - On 9 June 2003, the Company issued Renounceable Rights Issue of 2,601,994 new ordinary shares of RM0.50 each to the shareholders of Protasco Berhad on the basis of one (1) new Rights Share for approximately every 95.52 existing ordinary shares of RM0.50 each held in Protasco Berhad after the acquisitions of subsidiaries. The new ordinary shares rank pari passu in all respects with existing ordinary shares; and
  - The Initial Public Issue involved 48,854,000 new ordinary shares of RM0.50 each comprising 20,000,000 new ordinary shares of RM0.50 each at the Retail Price of RM1.15 per ordinary share and 28,854,000 new ordinary shares of RM0.50 each at a Bookbuilding Price of RM1.43. The share premium arising after deducting the transaction costs of RM3,759,300, amounted to RM36,074,920 and this has been credited to the share premium account. The new ordinary shares rank pari passu in all respects with existing ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS

## 27. RETAINED PROFITS

As at 31 December 2004, the Company has tax exempt profits available for distribution of approximately RM400,000 (2003: RM400,000), subject to the agreement of the Inland Revenue Board.

The company has sufficient tax credits under Section 108 of the Income Tax Act 1967 and the balance in the tax exempt income account to frank the payment of dividends out of its entire retained profits as at 31 December 2004.

## 28. RESERVE ON CONSOLIDATION

	Group	
	2004 RM'000	2003 RM'000
Reserve on consolidation arising from acquisition of subsidiaries	55,314	62,620
Less: Amortisation of reserve on consolidation	(12,524)	(7,306)
	<b>42,790</b>	<b>55,314</b>

## 29. DEFERRED TAX LIABILITIES

	Group	
	2004 RM'000	2003 RM'000
At 1 January/acquisition of subsidiaries	7,761	7,827
Recognised in income statement	(232)	(66)
At 31 December	<b>7,529</b>	<b>7,761</b>
Presented after appropriate offsetting as follows:		
Deferred tax assets	(366)	(211)
Deferred tax liabilities	7,895	7,972
	<b>7,529</b>	<b>7,761</b>

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

### Deferred Tax Liabilities of the Group

	Accelerated Capital Allowances RM'000	Fair Value Adjustment RM'000	Total RM'000
At 1 January 2004	4,869	3,103	7,972
Recognised in income statement	(77)	—	(77)
At 31 December 2004	<b>4,792</b>	<b>3,103</b>	<b>7,895</b>

### Deferred Tax Assets of the Group

	Tax Losses RM'000	Provisions RM'000	Total RM'000
At 1 January 2004	(95)	(116)	(211)
Recognised in income statement	20	(175)	(155)
At 31 December 2004	<b>(75)</b>	<b>(291)</b>	<b>(366)</b>

### 30. CAPITAL COMMITMENT

	Group	
	2004	2003
	RM'000	RM'000
Capital expenditure:		
Approved and contracted for	453	683
Approved but not contracted for	—	67
	<b>453</b>	750

### 31. CONTINGENT LIABILITIES

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
<b>Unsecured</b>				
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	—	—	65,602	2,996
Corporate guarantees given to suppliers for credit facilities granted to a subsidiary company	—	—	6,750	10,100
Guarantee given by a subsidiary company to Government of Malaysia for the repayment of advance payment received	8,700	8,700	—	—
Performance guarantee extended by subsidiaries to third parties	116,326	118,115	—	—

# NOTES TO THE FINANCIAL STATEMENTS

## 32. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Gross dividends from subsidiaries	—	—	9,861	21,880
Management fees from subsidiaries	—	—	2,500	625
Services rendered to:				
— Muhibbah Engineering (M) Berhad, a corporate shareholder of Roadcare (M) Sdn Bhd	(3,019)	(5,356)	—	—
— Projek Penyelenggaraan Lebuhraya Berhad, a corporate shareholder of Paves Sdn Bhd, and its related companies	(3,940)	(3,907)	—	—
— TH Technologies Sdn Bhd, a corporate shareholder of Roadcare (M) Sdn Bhd and HCM-TH Technologies Sdn Bhd	(4,008)	(2,335)	—	—
— C&H Engineerings Consultants Sdn Bhd, a company owned substantially by directors of the Company, Dato' Hasnur Rabiain Bin Ismail and Dato' Chong Ket Pen	(606)	(510)	—	—
Sales to:				
— Muhibbah Engineering (M) Berhad	(52)	(1,061)	—	—
— TH Technologies Sdn Bhd	(3,513)	(6,121)	—	—
Services rendered by:				
— Projek Penyelenggaraan Lebuhraya Berhad, and its related companies	593	217	—	—
— TH Technologies Sdn Bhd	35,821	22,903	—	—
— C&H Engineerings Consultants Sdn Bhd	4,866	12,948	—	—

The directors are of the opinion that the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

### **33. OTHER SIGNIFICANT EVENTS**

- (a) On 29 January 2004, Ikram C & S Sdn Bhd, a wholly owned subsidiary of Kumpulan Ikram Sdn Bhd, changed its name to Ikram Research Centre Sdn Bhd.
- (b) On 2 April 2004, the Company acquired 70% equity interest in Protasco Infratech (M) Sdn Bhd, a newly incorporated company in Malaysia for a cash consideration of RM7. Subsequently, on 5 April 2004, the subsidiary increased its issued and paid-up capital from RM10 to RM100,000 by an allotment of 99,990 ordinary shares of RM1 each. As such, the Company's investment in the subsidiary increased from RM7 to RM70,000 by subscribing to 69,993 ordinary shares of RM1 each. The equity interest in the subsidiary remains at 70%.
- (c) On 24 May 2004, the Company acquired 100% equity interest in Protasco Land Sdn Bhd, a company incorporated in Malaysia for a cash consideration of RM2.
- (d) On 14 September 2004, HCM Engineering Sdn Bhd, a wholly owned subsidiary of the Company, acquired 100% equity interest in HCM Engineering (PNG) Ltd, a newly incorporated company in Papua New Guinea for a cash consideration of RM2. Subsequently, on 12 April 2005, HCM Engineering Sdn Bhd further increased its investment to RM1,625,000. The equity interest in the subsidiary remains at 100%.
- (e) On 12 October 2004, Ikram Services Sdn Bhd, a wholly owned subsidiary of Kumpulan Ikram Sdn Bhd, changed its name to Ikram Engineering Services Sdn Bhd.

### **34. FINANCIAL INSTRUMENTS**

#### **(a) Financial Risk Management Objectives and Policies**

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is to not engage in speculative transactions.

#### **(b) Interest Rate Risk**

The Group's primary interest rate risk relates to interest-bearing debt; the Group had no substantial long term interest-bearing assets. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits or occasionally in short term investments which yield better returns than cash at bank.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and the nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

#### **(c) Liquidity and Cash Flow Risk**

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

# NOTES TO THE FINANCIAL STATEMENTS

## **34. FINANCIAL INSTRUMENTS (CONTINUED)**

### **(d) Credit Risk**

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Receivables are monitored on an ongoing basis via Group management reporting procedures.

The amount due from the Government of Malaysia forms a significant amount of the trade receivables. From past collections, the directors are of the opinion that the credit risk is low. Other than this, the group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

### **(e) Fair Values**

The carrying amounts of cash and cash equivalents, receivables, payables and other investments approximate fair values due to the relatively short term maturity of these financial instruments.

The carrying amount of term loans approximates their fair values as the interest rates were revised during the year to approximate the current floating interest rates.

The carrying amounts of other borrowings and hire purchase and finance lease payables approximate their fair values as the interest rates are not expected to be significantly different from the current interest rates for liabilities with similar risk profiles.

## **35. SEGMENTAL INFORMATION**

### **(a) Business Segments**

The Group is organised into four major business segments

- (i) Construction contracts – the construction and maintenance of roads
- (ii) Engineering services – the provision of site investigation and soil testing services
- (iii) Training and education – the provision of training and education services
- (iv) Trading – the sale of construction materials and petroleum products

Other business segments include investment holding and production of pavement materials, none of which are of a sufficient size to be reported separately.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

### **(b) Geographical Segments**

No geographical segment has been presented as the assets held and consequently the income derived by the Group are mainly in Malaysia.



### 35. SEGMENTAL INFORMATION (CONTINUED)

31 December 2004	Construction Contracts RM'000	Engineering Services RM'000	Training and Education RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Revenue</b>							
External sales	443,311	44,954	20,334	69,316	4,531	—	582,446
Inter-segment sales	—	8,272	135	32,412	13,785	(54,604)	—
Total revenue	443,311	53,226	20,469	101,728	18,316	(54,604)	582,446
<b>Results</b>							
Segment results	62,113	3,328	1,197	4,132	14,662	(9,663)	75,767
Amortisation of reserve on consolidation							12,524
Profit from operations							88,291
Finance costs							(764)
Share of results of associated company	344	—	—	—	—	—	344
Taxation							(24,619)
Profit after taxation							63,252
Minority interests							(17,256)
Net profit for the year							45,996
<b>Assets</b>							
Segment assets	295,076	194,190	12,764	19,436	5,276	—	526,742
Investment in associated company	1,763	—	—	—	—	—	1,763
Unallocated corporate assets							—
Consolidated total assets							528,505
<b>Liabilities</b>							
Segment liabilities	139,190	26,331	4,425	11,690	7,392	—	189,028
Unallocated corporate liabilities							—
Consolidated total liabilities							189,028
<b>Other Information</b>							
Capital expenditure	9,629	2,653	1,375	26	—	—	13,683
Depreciation	13,985	5,816	808	112	102	—	20,823

# NOTES TO THE FINANCIAL STATEMENTS

## 35. SEGMENTAL INFORMATION (CONTINUED)

31 December 2003	Construction Contracts RM'000	Engineering Services RM'000	Training and Education RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Revenue</b>							
External sales	356,842	29,313	13,555	76,994	3,112	—	479,816
Inter-segment sales	—	9,221	144	16,692	597	(26,654)	—
Total revenue	356,842	38,534	13,699	93,686	3,709	(26,654)	479,816
<b>Results</b>							
Segment results	54,426	6,795	3,525	3,337	1,993	—	70,076
Amortisation of reserve on consolidation							7,306
Profit from operations							77,382
Finance costs							(1,625)
Share of results of associated company	(19)	—	—	—	—	—	(19)
Taxation							(23,223)
Profit after taxation							52,515
Minority interests							(10,632)
Net profit for the year							41,883
<b>Assets</b>							
Segment assets	315,658	194,051	11,005	23,056	9,944	—	553,714
Investment in associated company	21	—	—	—	—	—	21
Unallocated corporate assets							1,023
Consolidated total assets							554,758
<b>Liabilities</b>							
Segment liabilities	145,084	25,272	8,979	19,399	6,602	—	205,336
Unallocated corporate liabilities							30,389
Consolidated total liabilities							235,725
<b>Other Information</b>							
Capital expenditure	12,962	6,913	752	50	5	—	20,682
Depreciation	7,699	3,020	710	62	108	—	11,599
Non-cash expenses other than depreciation and amortisation	—	427	—	—	—	—	427

# LIST OF PROPERTIES

No.	Location	Description/ Existing Use	Age of Buildings	Tenure	Approx. Land Area sq. ft.	Net Book Value at 31.12.2004 RM'000	Date of Revaluation*/ Acquisition#
1.	Lot No. P.T. 2158, Mukim of Dengkil, District of Sepang, State of Selangor Darul Ehsan.	Institutional, commercial and residential	Between 3 – 22 years	Freehold	4.356 million	110,852	18.04.02*
2.	Lot No. 28401 and Lot No. 28402, Mukim of Senai-Kulai, District of Johor Bahru, State of Johor Darul Takzim.	Two adjoining units of 1½-storey light industrial terraced factories	7 years	Freehold	9,558	773	18.04.02*
3.	Lot Nos. 1576 and 1577 Held Under Grant Nos. 53674 and 53675 respectively of Mukim 4, Seberang Prai Tengah, Pulau Pinang.	Two adjoining three-storey shop offices	9 years	Freehold	2,799	897	18.04.02*
4.	Lot No. P.T. 172, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan.	Intermediate four-storey shophouse	21 years	Leasehold 99 years expiring in 2076	1,760	851	01.03.02#
5.	Lot No. P.T. 166, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan.	Intermediate four-storey shophouse	21 years	Leasehold 99 years expiring in 2076	1,760	711	11.06.02#
6.	Lot No. P.T. 167, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan.	Intermediate four-storey shophouse	21 years	Leasehold 99 years expiring in 2076	1,760	711	11.06.02#
7.	Lot No. P.T. 168, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan.	Intermediate four-storey shophouse	21 years	Leasehold 99 years expiring in 2076	1,760	711	11.06.02#
8.	Lot No. P.T. 169, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan.	Corner lot four-storey shophouse	21 years	Leasehold 99 years expiring in 2076	2,208	996	11.06.02#
9.	HS (M) 39751 Lot No. P.T. 47478, Mukim Kuala Kuantan, Daerah Kuantan, Pahang.	Two-storey semi-detached factory	8 years	Leasehold 66 years expiring in 2063	4,500	295	10.12.01#

# ANALYSIS OF SHAREHOLDINGS

AS AT 15 APRIL 2005

Authorised Share Capital : RM300,000,000  
 Issued and Paid-up Share Capital : RM150,000,000  
 Class of Shares : Ordinary shares of RM0.50 each  
 Voting Rights : One vote per ordinary share

## DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders		No. of Holdings		% of Holdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
1 – 99	53	0	2,773	0	0.00	0.00
100 – 1,000	612	1	561,574	1,000	0.19	0.00
1,001 – 10,000	1,212	13	5,498,346	59,500	1.83	0.02
10,001 – 100,000	459	15	15,555,380	616,200	5.18	0.21
100,001 – 14,999,999 (*)	175	3	129,086,735	2,170,700	43.03	0.72
15,000,000 and above (**)	6	0	146,447,792	0	48.82	0.00
<b>TOTAL</b>	<b>2,517</b>	<b>32</b>	<b>297,152,600</b>	<b>2,847,400</b>	<b>99.05</b>	<b>0.95</b>

	No. of Holders	No. of Holdings	% of Holdings
<b>GRAND TOTAL</b>	<b>2,549</b>	<b>300,000,000</b>	<b>100.00</b>

### Remarks:

\* Less than 5% of issued and paid-up share capital  
 \*\* 5% and above of issued and paid-up share capital

## SUBSTANTIAL SHAREHOLDERS

Name	Direct Holdings		Indirect Holdings	
	No. of Shares	%	No. of Shares	%
Dato' Hasnur Rabiain Bin Ismail	38,998,193	12.999	52,201,720 <sup>(1)</sup>	17.401
Dato' Chong Ket Pen	39,433,193	13.144	22,964,074 <sup>(2)</sup>	7.655
Yap Oon Neo	33,054,701	11.018	22,964,074 <sup>(2)</sup>	7.655
Dream Cruiser Sdn Bhd	29,237,646	9.746	—	—
Max-Three Sdn Bhd	22,964,074	7.655	—	—

### Notes:

(1) By virtue of his interest in Max-Three Sdn Bhd and Dream Cruiser Sdn Bhd.  
 (2) By virtue of his/her interest in Max-Three Sdn Bhd.

## DIRECTORS' SHAREHOLDINGS

Directors' Name	Total No. of Shares	%
Dato' Hasnur Rabiain Bin Ismail	38,998,193	13.00
Dato' Chong Ket Pen	39,433,193	13.14
Dato' Dr Norraesah Binti Haji Mohamad	—	—
Datin Normah Binti Kassim	90,000	0.03
Benny Soh Seow Leng	170,000	0.06
Azliza Binti Ahmad Tajuddin	149,500	0.05
<b>TOTAL</b>	<b>78,840,886</b>	<b>26.28</b>

## LIST OF TOP 30 SHAREHOLDERS

No.	Name	Holdings	%
1.	Hasnur Rabiain Bin Ismail	38,739,144	12.91
2.	Yap Oon Neo	30,821,579	10.27
3.	Chong Ket Pen	23,204,119	7.73
4.	Dream Cruiser Sdn Bhd	21,057,528	7.02
5.	Max-Three Sdn Bhd	16,396,348	5.47
6.	Chong Ket Pen	16,229,074	5.41
7.	Cekal Teguh Sdn Bhd	8,924,271	2.97
8.	Dream Cruiser Sdn Bhd	8,180,118	2.73
9.	Universal Trustee (Malaysia) Berhad <i>CMS Premier Fund</i>	6,822,400	2.27
10.	Max-Three Sdn Bhd	6,567,726	2.19
11.	Employees Provident Fund Board	5,655,900	1.89
12.	L.G.B. Holdings Sdn Bhd	5,371,116	1.79
13.	Malaysia National Insurance Berhad	4,209,300	1.40
14.	L.G.B. Holdings Sdn Bhd	3,331,326	1.11
15.	Mayban Nominees (Tempatan) Sdn Bhd <i>Mayban Trustees Berhad For Public Ittikal Fund (N14011970240)</i>	3,142,600	1.05
16.	Takaful Nasional Sdn Berhad	2,678,100	0.89
17.	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pheim Asset Management Sdn Bhd for Employees Providend Fund</i>	2,604,526	0.87
18.	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Public Islamic Equity Fund</i>	2,186,500	0.73
19.	Lau Yeet Mei	2,185,385	0.73
20.	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Amanah Saham Bank Simpanan Nasional</i>	2,165,100	0.72
21.	Ooi Hoow Kiong	2,031,946	0.68
22.	Mayban Nominees (Tempatan) Sdn Bhd <i>Avenue Asset Management Services Sdn Bhd for Perusahaan Otomobil Nasional Berhad (E00020-984380)</i>	2,000,000	0.67
23.	Lembaga Tabung Haji	1,896,100	0.63
24.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust (3548)</i>	1,879,100	0.63
25.	Hong Leong Assurance Berhad <i>As Beneficial Owner (Life Par)</i>	1,857,900	0.62
26.	AMMB Nominees (Tempatan) Sdn Bhd <i>Amanah SSCM Asset Management Berhad for Tenaga Nasional Berhad Retirement Benefit Trust Fund (7/893-1)</i>	1,792,200	0.60
27.	A.A. Assets Nominees (Tempatan) Sdn Bhd <i>Avenue Asset Management Services Sdn Bhd for Kumpulan Wang Amanah Pencen</i>	1,686,500	0.56
28.	HLB Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Yong Ma. Teresa Alava (SIN6381-1)</i>	1,500,000	0.50
29.	Yap Oon Neo	1,475,122	0.49
30.	Malaysia Nominees (Tempatan) Sendirian Berhad <i>Amanah SSCM Asset Management Berhad for Amanah Smallcap Fund Berhad (JM730)</i>	1,475,100	0.49
<b>TOTAL</b>		<b>228,066,128</b>	<b>76.02</b>

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Fourth Annual General Meeting of the Company will be held at Conference Hall, 1st Floor, Corporate Building, Taman Ilmu Ikram (Ikram Park), Jalan Serdang-Kajang, 43000 Kajang, Selangor Darul Ehsan on Monday, 30 May 2005 at 11.30am to transact the following businesses:

## **AGENDA**

1. To receive the Audited Financial Statements for the financial year ended 31 December 2004 and the Reports of Directors and Auditors thereon. **Ordinary Resolution 1**
2. To approve a final net dividend of 4 sen per share for the financial year ended 31 December 2004. **Ordinary Resolution 2**
3. To re-elect the following Directors retiring in accordance with Article 70 of the Company's Articles of Association:
  - (i) Datin Normah Binti Kassim **Ordinary Resolution 3**
  - (ii) Mr Benny Soh Seow Leng **Ordinary Resolution 4**
4. To re-elect the following Director retiring in accordance with Article 76 of the Company's Articles of Association:
  - (i) Dato' Dr Norraesah Binti Hj Mohamad **Ordinary Resolution 5**
5. To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to determine their remuneration. **Ordinary Resolution 6**

## **6. AUTHORITY TO ISSUE SHARES**

As Special Business to consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications:

"THAT subject always to the Companies Act, 1965 ("the Act") and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Act, to issue and to allot shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued in any one financial year of the Company pursuant to this Resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

**Ordinary Resolution 7**

## **7. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

As Special Business to consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications:

“THAT pursuant to Chapter 10, Paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries (“PB Group”) be and are hereby authorised to enter into and give effect to the Recurrent Transactions with the related parties, as detailed in Section 2.3 of the Circular to Shareholders dated 6 May 2005 which are necessary for the PB Group’s day-to-day operations in the ordinary course of business on terms not more favourable to the said Related Party than those generally available to the public and not detrimental to minority shareholders of the Company.

AND THAT such approval shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting (“AGM”), at which time the said authority will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first and the breakdown of the aggregate value of the Recurrent Related Parties Transactions based on the type of recurrent transactions made and the name of the related parties involved be disclosed in the annual report of the Company.

AND THAT the Directors be and hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Shareholders’ Mandate for Recurrent Transactions.”

**Ordinary Resolution 8**



# NOTICE OF ANNUAL GENERAL MEETING

## 8. PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

As Special Business to consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications:

“THAT subject to the Companies Act, 1965, provisions of the Company’s Memorandum and Articles of Association and the requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and any other relevant authorities, and other relevant approvals, the Directors of the Company be and are hereby authorised to purchase its own shares through Bursa Securities, subject to the following:

- (a) The maximum number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the issued and paid-up ordinary share capital of the Company at any point in time;
- (b) The maximum fund to be allocated by the Company for the purpose of purchasing its shares shall not exceed the retained profits and share premium accounts of the Company. As at the latest financial year ended 31 December 2004, the audited retained profits and share premium accounts of the Company stood at RM0.224 million and RM43.531 million respectively;
- (c) The authority conferred by this resolution will be effective upon passing of this resolution and will continue in force until:
  - (i) the conclusion of the next Annual General Meeting (“AGM”), at which time the said authority will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
  - (ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or
  - (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;whichever occurs first;
- (d) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:
  - (i) cancel the shares so purchased;
  - (ii) retain the shares so purchased as Treasury Shares;
  - (iii) distribute the Treasury Shares as dividends to shareholders;
  - (iv) resell the Treasury Shares on Bursa Securities in accordance with the relevant rules of Bursa Securities; and
  - (v) any combination of the above (i), (ii), (iii) and (iv).

THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares.”

**Ordinary Resolution 9**

9. To transact any other business of which due notice shall have been received.

## **NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT**

**NOTICE IS ALSO HEREBY GIVEN THAT** a final net dividend of 4 sen per share for the financial year ended 31 December 2004, if approved by shareholders, will be payable on 15 June 2005 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 3 June 2005.

A Depositor shall qualify for entitlement only in respect of:

- (a) shares transferred to the Depositor's Securities Account before 4.00pm on 3 June 2005 in respect of transfers; and
- (b) shares bought on Bursa Malaysia Securities Berhad on a cum-entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

**Khor Hooi Ling**  
**Seow Fei San**  
Secretaries

Selangor Darul Ehsan  
6 May 2005

### **NOTES:**

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a Member of the Company.
2. A Member shall be entitled to appoint not more than two (2) proxies to attend and vote at the Fourth Annual General Meeting. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless the Member specifies the proportions of his holdings to be represented by each proxy.
3. Where a Member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised.
5. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy thereof, must be deposited at the Registered Office of the Company at 312, 3rd Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty eight (48) hours before the time appointed for holding the Fourth Annual General Meeting or any adjournment thereof.
6. Explanatory notes on Special Business:

#### *Ordinary Resolution 7*

*The proposed Ordinary Resolution 7, if passed, will empower the Directors of the Company to issue and allot not more than 10% of the issued share capital of the Company subject to the approvals of all the relevant governmental/regulatory bodies and for such purposes as the Directors consider would be in the interest of the Company.*

*This authorisation will, unless revoked or varied by the Company in a general meeting, expire at the next Annual General Meeting of the Company.*

#### *Ordinary Resolution 8*

*The proposed Ordinary Resolution 8, if passed, will allow the PB Group to enter into Recurrent Transactions pursuant to paragraph 10.09 of the Listing Requirements. Further information on the Proposed Shareholders' Mandate for Recurrent Transactions is set out in Part A of the Circular to Shareholders dated 6 May 2005, which is despatched together with the Company's Annual Report 2004.*

#### *Ordinary Resolution 9*

*The proposed Ordinary Resolution 9, if passed, will empower the Directors of the Company to purchase the Company's shares up to ten percent (10%) of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back") by utilising the funds allocated which shall not exceed the total retained earnings and share premium account of the Company. Further information on the Proposed Shares Buy-Back is set out in Part B of the Circular to Shareholders dated 6 May 2005, which is despatched together with the Company's Annual Report 2004.*

# STATEMENT ACCOMPANYING

## THE NOTICE OF ANNUAL GENERAL MEETING

### **1. DIRECTORS STANDING FOR RE-ELECTION**

The Directors standing for re-election at the Fourth Annual General Meeting of the Company are as follows:

- (i) Datin Normah Binti Kassim
- (ii) Benny Soh Seow Leng
- (iii) Dato' Dr Norraesah Binti Haji Mohamad

Further details of the above Directors are set out in the Directors' Profile on page 5 of the Annual Report.

### **2. BOARD MEETINGS**

There were five (5) Board Meetings held during the financial year ended 31 December 2004. The Meetings were held at Taman Ilmu Ikram (Ikram Park), Jalan Serdang-Kajang, 43000 Kajang, Selangor Darul Ehsan and were attended by all the Directors of the Company.

### **3. PLACE, DATE AND TIME OF THE FOURTH ANNUAL GENERAL MEETING**

The Fourth Annual General Meeting will be held at Conference Hall, 1st Floor, Corporate Building, Taman Ilmu Ikram (Ikram Park), Jalan Serdang-Kajang, 43000 Kajang, Selangor Darul Ehsan on Monday, 30 May 2005 at 11.30am.

# FORM OF PROXY

I/We \_\_\_\_\_  
(FULL NAME IN CAPITAL LETTERS)  
of \_\_\_\_\_  
(FULL ADDRESS)  
being a member/members of Protasco Berhad hereby appoint \_\_\_\_\_  
(FULL NAME IN CAPITAL LETTERS)  
of \_\_\_\_\_  
(FULL ADDRESS)  
or failing him/her \_\_\_\_\_  
(FULL NAME IN CAPITAL LETTERS)  
of \_\_\_\_\_  
(FULL ADDRESS)

as my/our proxy to vote for my/our behalf at the Fourth Annual General Meeting of the Company to be held at Conference Hall, 1st Floor, Corporate Building, Taman Ilmu Ikram (Ikram Park), Jalan Serdang-Kajang, 43000 Kajang, Selangor Darul Ehsan on Monday, 30 May 2005 at 11.30am and at any adjournment thereof.

NO	RESOLUTIONS	FOR	AGAINST
1.	To receive the Audited Financial Statements for the year ended 31 December 2004 and the Reports of the Directors and Auditors thereon.		
2.	To approve a final net dividend of 4 sen per share for the financial year ended 31 December 2004.		
3.	To re-elect Datin Normah Binti Kassim who is retiring pursuant to Article 70 of the Company's Articles of Association.		
4.	To re-elect Mr Benny Soh Seow Leng who is retiring pursuant to Article 70 of the Company's Articles of Association.		
5.	To re-elect Dato' Dr Norraesah Binti Haji Mohamad who is retiring pursuant to Article 76 of the Company's Articles of Association.		
6.	To re-appoint Messrs Ernst & Young as auditors of the Company and to authorise the Directors to determine their remuneration.		
7.	Authority to Issue Shares.		
8.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature.		
9.	Proposed Renewal of Share Buy-back Authority.		

Please indicate with an "X" in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2005

Number of shares held

\_\_\_\_\_  
Signature of Shareholder or Common Seal

**NOTES:**

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5. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy thereof, must be deposited at the Registered Office of the Company at 312, 3rd Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty eight (48) hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.

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**STAMP**

The Company Secretaries

**PROTASCO BERHAD** (548078-H)

312, 3rd Floor, Block C, Kelana Square  
17 Jalan SS7/26  
47301 Petaling Jaya  
Selangor Darul Ehsan

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