



Engineering Infrastructure Solutions
for a **Better Quality of Life**



PROTASCO BERHAD

KUALA LUMPUR OFFICE

87, Jalan Kampung Pandan, 55100 Kuala Lumpur, Malaysia.
Tel : 603 9286 4050 Fax : 603 9284 8118

KAJANG OFFICE

Taman Ilmu Ikram (Ikram Park), Jalan Serdang-Kajang
43000 Kajang, Selangor Darul Ehsan, Malaysia.
Tel : 603 8738 3388 Fax : 603 8926 4008

www.protasco.com.my

VISION

Engineering Infrastructure
Solutions for a Better Quality
of Life

CORE VALUES

- ▶ Integrity and Reliability
- ▶ Innovative and Creative
- ▶ Excellent Customer Service
- ▶ Socially Responsible
- ▶ Human Development

C O N T E N T S

PROTASCO BERHAD

Annual Report 2007

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Linking the nation

BOARD OF DIRECTORS

Dato' Hasnur Rabiain Bin Ismail
Executive Chairman

Datin Normah Binti Kassim
Independent Non-Executive Director

Dato' Chong Ket Pen
Managing Director

Datin Azliza Binti Ahmad Tajuddin
Independent Non-Executive Director

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

Benny Soh Seow Leng
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
Malaysia
Tel : 603 7803 1126
Fax : 603 7806 1387

PRINCIPAL OFFICES

Kuala Lumpur
87, Jalan Kampung Pandan
55100 Kuala Lumpur
Malaysia
Tel : 603 9286 4050
Fax : 603 9284 8118

Kajang
Taman Ilmu Ikram (Ikram Park)
Jalan Serdang-Kajang
43000 Kajang
Selangor Darul Ehsan
Malaysia
Tel : 603 8738 3388
Fax : 603 8926 4008

Web : www.protasco.com.my
Email : ccd@protasco.com.my

REGISTRAR

Symphony Share Registrar Sdn Bhd
Level 26, Menara Multi-Purpose
Capital Square
8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Malaysia
Tel : 603 2721 2222
Fax : 603 2721 2530

PRINCIPAL BANKERS

RHB Bank Berhad
EON Bank Berhad
Bank Islam Malaysia Berhad
Malayan Banking Berhad

AUDITORS

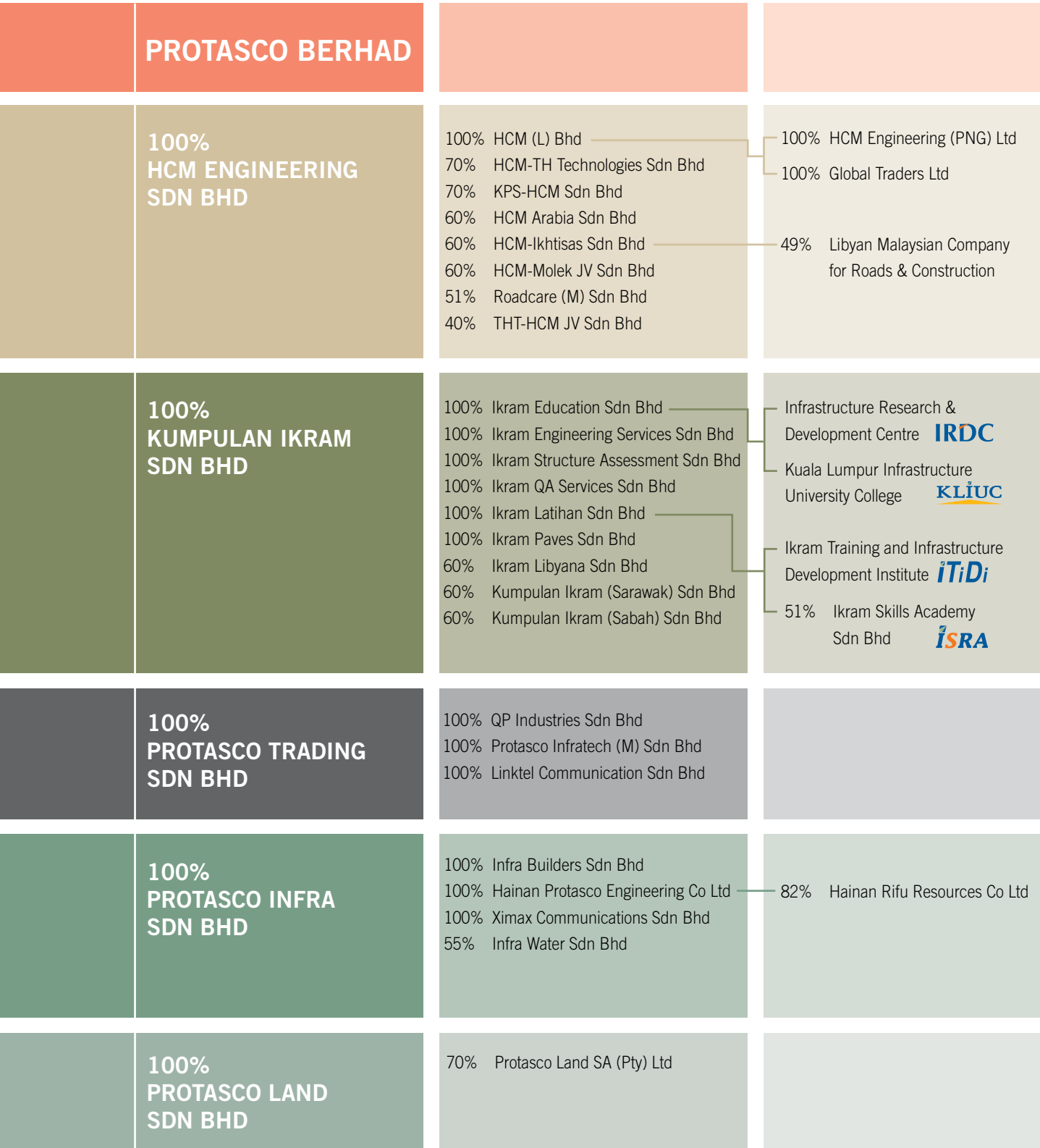
Horwath
Chartered Accountants
Level 16, Tower C
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia

STOCK EXCHANGE LISTING

Main Board
Bursa Malaysia Securities Berhad

Listed Since : 8 August 2003
Stock Name : Prtasco
Stock Code : 5070

Corporate structure



* This structure depicts main operating subsidiaries only

Core business divisions



ROAD CONSTRUCTION AND MAINTENANCE

Road related activities involve road construction, rehabilitation, upgrading, operations and maintenance. More than USD600 million worth of project works have been completed since 1993. In addition, we have maintained approximately 6,600km of roads in Malaysia.



BUILDINGS AND SPECIALISED CONSTRUCTION

Building and specialised construction activities include bridge and building construction as well as project management. The Group's personnel has managed more than 1,000 building projects worth not less than USD1 billion.



ENGINEERING SERVICES AND CONSULTANCY

The Group provides engineering and consultancy services ranging from site investigations to laboratory testing, slope studies, pavement evaluation and data collection, traffic studies, geotechnical and structural forensic engineering services, design works, materials certification, product listing, research and development, quality control and assurance.



TRADING OF CONSTRUCTION RELATED MATERIALS

Our trading arm markets products such as bitumen, sealants, steel, cement, bridge joints and MAXON paving machine. We also market our own R&D products ie. Q-Mix and QS3E emulsion.



EDUCATION & TRAINING

Kuala Lumpur Infrastructure University College (KLIUC) sits on a 100-acre green campus and offers a range of foundation, diploma, degree and post-graduate courses in Engineering, Business, IT, Linguistics and Material & Science.

Ikram Training and Infrastructure Development Institute (ITIDI) has since 1997, trained more than 60,000 participants, including those from Africa, Asia and South East Asia. ITIDI programmes covers a wide range of technical, professional and management courses.

Group financial highlights

2007 KEY FIGURES

506
MILLION
TURNOVER

34
MILLION
PROFIT AFTER TAX AND
MINORITY INTERESTS

PROFIT AFTER TAX AND
MINORITY INTERESTS

11
SEN
EARNINGS PER SHARE

EARNINGS PER SHARE

11
SEN
TOTAL GROSS
DIVIDENDS PER SHARE

TOTAL GROSS
DIVIDENDS PER SHARE

RM 1.1
NET TANGIBLE ASSETS
PER SHARE

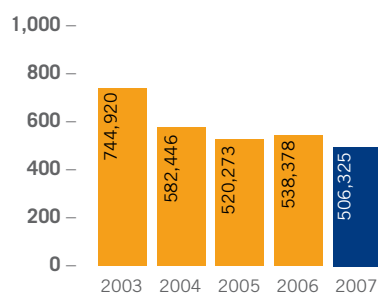
NET TANGIBLE ASSETS
PER SHARE

	YEAR ENDED 31 DECEMBER				
	2003*	2004	2005	2006	2007
Turnover (RM'000)	744,920	582,446	520,273	538,378	506,325
Profit After Taxation and Minority Interests (PATAMI) (RM'000)	58,753	45,996	41,132	26,543 [@]	33,701
Earnings Per Share (sen)	19.58	15.33	13.73	8.87 [@]	11.29
Total Gross Dividends Per Share (sen)	7.16	8.75	8.75	9.65	10.89 ^{**}
Net Tangible Assets Per Share (RM)	0.95	1.00	1.03	1.05	1.08

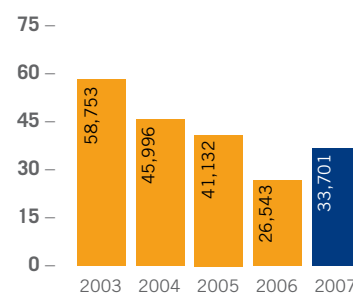
Remarks:

- * Including pre-acquisition turnover and PATAMI of RM265.104 million and RM16.87 million respectively.
- @ Earnings are lower due to the adoption of FRS 3 (Business Combination), which has resulted in the Group ceasing the amortisation of Reserve on Consolidation of RM12.524 million per annum.
- ** Including a final dividend in respect of the financial year ended 31 December 2007 of 10.82% less 26% tax (or approximately 4 sen net per share) which will be proposed for the shareholders' approval at the forthcoming Annual General Meeting.

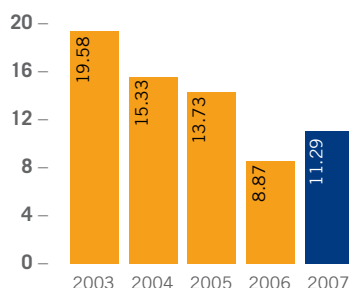
TURNOVER
(RM'000)



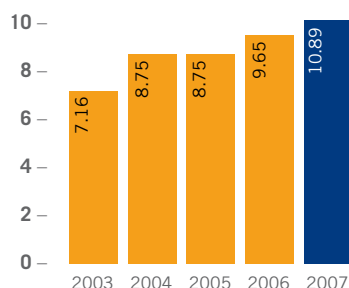
**PROFIT AFTER TAXATION AND
MINORITY INTERESTS**
(RM'000)



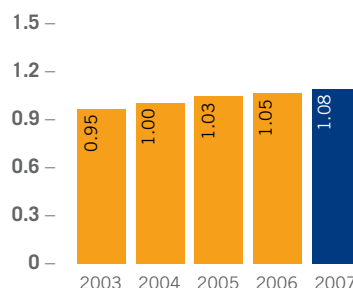
**EARNINGS
PER SHARE** (sen)



**TOTAL GROSS DIVIDENDS
PER SHARE** (sen)



**NET TANGIBLE ASSETS
PER SHARE** (RM)



DATO' HASNUR RABIAIN BIN ISMAIL

Executive Chairman, Malaysian, Age 51

Dato' Hasnur Rabiain Bin Ismail is the Executive Chairman of Protasco Berhad. He was appointed as a board member on 15 May 2001.

He obtained his BSc (Hons) degree in 1980 and his MPhil (Civil Engineering) in 1990 from United Kingdom's Middlesex Polytechnic and the University of Birmingham respectively. The co-founder of Protasco Group has been a member of the Malaysian Institute of Engineers for almost 16 years. Since 1994, he has been a Professional Engineer registered with the Board of Engineers, Malaysia.

Starting his career as Road Design Engineer at Jabatan Kerja Raya (JKR) Ipoh in 1980, he was then promoted to Project and Road Engineer with JKR Kuala Kangsar a year later. From 1983 to 1984 he underwent an on-the-job training programme with Samsung Construction, in Korea.

Subsequently Dato' Hasnur served as Senior Materials Engineer at the Design and Research Branch of JKR Headquarters. In 1988 he assumed the position of Senior Engineer, Pavement Unit of the then JKR's Institut Kerja Raya (IKRAM). In 1991, he joined forces with Dato' Chong Ket Pen, laying the foundation for the formation of Protasco Group.

He was appointed as a member of the Muslim Welfare Organisation Malaysia (PERKIM)'s Council of Thinkers for two years effective 1 March 2007.

DATIN NORMAH BINTI KASSIM

Independent Non-Executive Director, Malaysian, Age 51

Datin Normah Binti Kassim was appointed as a director of Protasco Berhad on 29 April 2002. She is also the Chairperson of the Audit Committee and a member of the Nomination Committee and Remuneration Committee of the Board. She is an Associate Member of the Institute of Chartered Secretaries and Administrators, United Kingdom as well as the Malaysian Association of the Institute of Chartered Secretaries and Administrators.

In 1978 she began her career as the Company Secretary cum Head, Secretarial Services for Malaysia Building Society Berhad. For 10 years, until 2000, she held the position as Group Company Secretary and Head, Secretarial and Legal for HICOM Holdings Berhad and subsequently DRB-HICOM Berhad and its group of companies.

DATO' CHONG KET PEN

Managing Director, Malaysian, Age 53

Dato' Chong Ket Pen is the Managing Director of Protasco Berhad. A co-founder of Protasco Group, he was appointed as a board member on 15 May 2001. Following a BEng (Hons) degree from the University of Malaya in 1979, he obtained his MPhil (Civil Engineering) degree from the University of Birmingham, United Kingdom in 1990.

In 1984 he joined the Institute of Engineers Malaysia as a member and became a registered Professional Engineer with the Board of Engineers Malaysia in the following year. He has been a member of the Institution of Civil Engineers, United Kingdom since 1985. In 1987 he registered as a Chartered Engineer with the United Kingdom's Engineering Council.

His career began in 1979 with his appointment as Road Design Engineer cum Assistant Project Engineer at JKR Kelantan. Promoted to the position of Project Engineer in 1982, he later became Senior Engineer at the Design and Research Branch of the JKR Headquarters. He was assigned as Senior Pavement Research Engineer at Institut Kerjaraya Malaysia (IKRAM) in 1988, and subsequently as Senior Engineer, Pavement Evaluation and Research. In 1991, he joined forces with Dato' Hasnur Rabiain Ismail, and founded Protasco Group.

DATIN AZLIZA BINTI AHMAD TAJUDDIN

Independent Non-Executive Director, Malaysian, Age 41

Datin Azliza Binti Ahmad Tajuddin has been a director of Protasco Berhad since 1 May 2003. Apart from being the Chairperson of the Remuneration Committee, she is also a member of the Audit Committee and Nomination Committee of the Board.

She graduated from Australian National University with a Degree in Commerce (Accounting), and began her career in 1990 at Coopers & Lybrand as an auditor.

Until 2004, she held various positions in companies such as Amanah Merchant Bank Berhad, Padiberas Nasional Berhad, Sistem Televisyen Malaysia Berhad (TV3) and Simpletech Sdn Bhd. She became Chief Executive Officer of Blu Inc Group of Companies, a magazine publishing company in January 2005.

DATO' DR NORRAESAH BINTI HAJI MOHAMAD

Independent Non-Executive Director, Malaysian, Age 60

Dato' Dr Norraesah Binti Haji Mohamad has been an Independent Non-Executive Director of Protasco Berhad since 18 January 2005. Besides having more than 36 years of experience in banking, consultancy, international trade and commerce, she has a PhD in Economics Science (International Economics and Finance) from University of Paris-Pantheon Sorbonne, France.

Prior to her participation in the private sector, she served the Malaysian Government between 1972 and 1988, namely the Ministry of International Trade & Industry and Ministry of Finance. She held the position of Communication Manager at ESSO Production Malaysia, Inc in 1988, and in 1990 became the Managing Director of a consultant firm involved in financial advisory. She was the Chief Representative of Credit Lyonnais Bank in Malaysia from 1991 to 1998. In 2000, she was appointed as the Chairman of Bank Rakyat, up to 2003.

Apart from Protasco Berhad, Dato' Dr Norraesah also assumes directorship at SBC Corporation Bhd, KESM Industries Bhd, Ya Horng Electronics (M) Bhd, Adventa Bhd and some local private limited companies. At present, she is the Executive Chairman of MY EG Services Bhd and the Chairman of Penang Bridge Sdn Bhd.

BENNY SOH SEOW LENG

Independent Non-Executive Director, Malaysian, Age 37

Benny Soh Seow Leng was appointed a director of Protasco Berhad on 29 April 2002. He serves as the Chairman of the Nomination Committee and sits on the Audit Committee and also Remuneration Committee of the Board. He is an Advocate and Solicitor by profession, hence also a Member of the Malaysian Bar. He is a partner of a firm known as Messrs Manjit Singh Sachdev, Mohammad Radzi & Partners, which specialises in corporate, litigation, banking and consultancy work.

Apart from that, he is also a registered Trade Marks Agent and his range of clients include banking and financial institutions, developers, building and construction companies, private and public companies and associations from Malaysia and other Asia Pacific countries.

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 47 of the Financial Statements and the Circular to Shareholders dated 28 May 2008, none of the directors has conflict of interest with the Company.
- (iv) Except for Dato' Hasnur Rabiain Ismail and Datin Azliza Ahmad Tajuddin who had attended four (4) out of five (5) meetings, the other directors had attended all the Board Meetings held during the financial year ended 31 December 2007.
- (v) With the exception of Dato' Dr Norraesah binti Haji Mohamad, 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.

Executive chairman's statement

PROTASCO BERHAD 548078-H



DEAR SHAREHOLDERS

THE PROTASCO GROUP'S NET PROFIT IN 2007 JUMPED BY 27% TO RM33.7 MILLION FROM RM26.5 MILLION POSTED IN THE PREVIOUS YEAR ON THE BACK OF A TURNOVER DURING THE YEAR OF RM506.3 MILLION.

EARNINGS PER SHARE ROSE 26.9% TO 11.3 SEN FROM 8.9 SEN. THE SURGE IN DEMAND FOR ENGINEERING SERVICES, SKILLS & TECHNICAL TRAINING AND EDUCATION AS WELL AS EFFECTIVE COST MANAGEMENT HAVE CONTRIBUTED TOWARDS THE IMPROVED RESULTS.

THE MALAYSIAN ECONOMY

Driven by robust domestic demand, the Malaysian economy grew by 6.3% in 2007, up from 5.9% in 2006, its fastest pace in three (3) years. This is despite a weaker external environment. A more diversified economic base with the services sector recording a surplus for the first time and the turnaround of the construction sector to record a positive growth of 4.6% after three (3) consecutive years of decline had, among others, strengthened the economy's resilience.

For 2008, Bank Negara Malaysia has forecasted a favourable outlook for the Malaysian economy to expand by 5% – 6% on the back of expected strong domestic demand, a more diversified export markets and high prices in crude oil, palm oil and rubber. All sectors, except for manufacturing, are projected to record strong growth in 2008 with the construction sector to expand by 5.5% led mainly by higher activity in the civil engineering sub-sector from increased implementation of projects under the Ninth Malaysia Plan (9MP).



However, as a small and open economy, the Malaysian economy will be affected by the triple threat of economic weakness, inflation and financial market risks in the U.S and its spillover effects outside the US arising partly from the losses stemming from the US mortgage crisis estimated by the IMF to be USD1 trillion. While expectation is for global growth to moderate in 2008, it is expected that growth momentum will be sustained in Asia, Middle East and Latin America regions supported by resilient investment spending and domestic consumption.



Group Net Profit
in 2007

RM33.7m

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 and building construction. Engineering services and consultancy include site investigation, slope studies, pavement evaluation and data collection, traffic studies, geotechnical and structural forensic engineering services and research.

During the year, our two long-term concessions to maintain roads for the Federal Government, and a long-term engineering services concession continued to provide steady recurring income and cash flows. The three long-term 15-year concessions with a remaining value of about RM1.9 billion in outstanding billings are :

- Federal road maintenance concession of about 6,200km ending February 2016 in Kelantan, Terengganu, Pahang and Selangor. It covers routine and periodic maintenance as well as emergency works.
- Federal road maintenance concession of about 420km ending September 2018 in Sibu, Bintulu and Mukah divisions, Sarawak. It also covers routine and periodic maintenance as well as emergency works.
- A RM348.3 million fee-based engineering services concession from the Federal Government ending December 2011. The range of services provided includes geotechnical, structural and material testing, site investigation and soil testing, pavement evaluation, materials certification, product listing, training and research & development activities.

In addition, we have been awarded a long-term contract for a period of seven (7) years in February 2008 for the maintenance of approximately 3,500km state roads in Selangor valued at about RM245 million. The work will begin upon receiving a Letter of Commencement from the relevant authorities.



RM1.9 BILLION
IN OUTSTANDING
BILLINGS



Besides the concessions and long-term contract, the Group is currently undertaking local and overseas projects. These projects include:-

	Amount RM (million)
<ul style="list-style-type: none"> Design, construction, rehabilitation and upgrading of Jalan Alor Setar - Durian Burong road in Kedah 	246.2
<ul style="list-style-type: none"> Tripoli – Gharian road maintenance works in Libya 	125.4
<ul style="list-style-type: none"> Tarhuna Ben Waled road maintenance works in Libya 	78.0
<ul style="list-style-type: none"> Rehabilitation and maintenance of bridges in Tripoli, Libya 	17.5
<ul style="list-style-type: none"> Construction of a teachers' training college in Penang – Phase 1 	12.4

During the year, the Group has also undertaken and completed slopes related projects, collection of roads data and conducting international capacity and skills training programs. The Group also undertook a feasibility study for the Construction Industry Development Body (CIDB) of Malaysia on the construction of the Damascus Ring Highway in Syria. This Government to Government (G to G) project was awarded by Malaysia External Trade Development Corporation (MATRADE).



OUR PEOPLE

As an emerging knowledge-based organisation where our people is our greatest asset, we are aware that we have to be competitive in the global environment in terms of our people having the right mindset and possessing the required level of skills and competencies at all levels. We have and will continue to nurture our people to develop a strong commitment to the Group's success, to be achievement oriented, motivated by a sense of ownership and the importance of always having a high level of integrity.

To achieve these, we have evaluated the current capabilities of our people and to understand their expectations in working for the Group. In this regard, we have implemented the Joint Consultative Committees comprising members from our people at various levels and management to obtain feedback on any matters relating to our people and business activities of the Group. We have also implemented sharing sessions on various topics and initiated online performance appraisal.

The Group is committed to actively develop our human capital by continuing to invest resources and time to inculcate in our people the core values of the Group by way of, amongst others, maintaining various forms of communication channels between our people and management, and staff development programmes.



Road rehabilitation work in Libya

Executive chairman's statement

PROTASCO BERHAD 548078-H



FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007, THE COMPANY HAD PAID AN INTERIM DIVIDEND OF 10.96% LESS 27% TAXATION OR A NET DIVIDEND OF APPROXIMATELY 4 SEN PER SHARE ON 15 JANUARY 2008.

DIVIDENDS

For the financial year ended 31 December 2007, the Company had paid an interim dividend of 10.96% less 27% taxation or a net dividend of approximately 4 sen per share on 15 January 2008. Subject to shareholders' approval at the forthcoming Annual General Meeting, the directors are recommending a final dividend of 10.82% less 26% taxation or a net dividend of also approximately 4 sen per share. Total gross dividend for the year under review at 10.89 sen per share thus exceeds the previous year total gross dividend of 9.65 sen per share. Based on the 2007 average share price, the dividend yield is 11%.

OUTLOOK

With the Malaysian economy expected to remain on a steady growth path in 2008 plus the implementation of projects under the 9MP, the Group is confident that it should do better this year. This is also because we expect certain overseas projects, which we are pursuing, to bear fruit. In addition, the Group is embarking on a technology-based business venture which we hope will take-off in the medium term.



◆◆ Protasco's maiden quarry at Lingshui District, Hainan, China

APPRECIATION

Just as in previous years, 2007 has been a challenging year. In this regard, we wish to express our sincere appreciation to our clients, bankers, shareholders, board members, management, people and business associates for their continuing support.

We also wish to, in particular, register our gratitude to the various authorities for their invaluable guidance and advice in the conduct of our business activities.

Thank you.

Dato' Hasnur Rabiain Ismail
Executive Chairman

Statement on corporate social responsibility

The 2007 landslide incident at Precint 9, Putrajaya



Protasco Berhad believes in building its economic strength for broader social goals. At the same time, it is the responsibility of a corporate citizen to demonstrate high standards of ethical behaviour, greater transparency and accountability in their daily business transactions. Protasco Berhad duly places environmental and community concerns as integral consideration in our everyday dealings. Hence our tagline **“Engineering Infrastructure Solutions for Better Quality of Life”**.

The Environment

Commitment towards the environment has been weaved into the Protasco Group’s business practices even from the beginning of our establishment. This is apparent from the very nature of our business as an engineering solutions provider, particularly in road constructions and geotechnical services.

In road construction, HCM Engineering Sdn Bhd, has always maintained an environmentally sustainable practice by utilising the Hot-In-Place-Recycling Technology (HIPR) and the Cold-In-Place-Recycling Technology (CIPR) in road constructions and maintenance work.

Our geotechnical services in soil testing and slope management has to a certain extent, fused in equilibrium between progress and the environment. We have been entrusted to undertake the ongoing National Slope Masterplan Studies for the Public Works Department (JKR) of Malaysia. It will suggest policies, systems and strategies to minimise the incidences of landslides and loss from these phenomenon.

Provision of these services is our way of contributing to the environment, by ensuring respect for the earth, as the Nation progresses.

The Community

At every opportunity, we seek to integrate any pivotal role we can play for the betterment of the society at large.

1. Spreading the wings of knowledge

- With our expertise in infrastructure, we have pledged a strong commitment towards providing education to the community via the establishment of Kuala Lumpur Infrastructure University College (KLIUC). Knowledge is vital to the progress of the Nation. Excellent students are rewarded with higher discounts on their following semester’s tuition fees.
- On the corporate level, knowledge sharing has always been practised as part of the Group’s work culture. Sharing sessions, public lectures as well as free skills lectures such as language classes are conducted on a regular basis for the employees.

2. Compassion and humanity

- The Group has implemented in some parts of the Company, a ringgit to ringgit contribution by the company to its Sports and Welfare Club subscription fee. This allows for better club initiatives and encourages higher memberships. The Sports Clubs undertakes sporting, recreational and charitable activities targeted towards staff.
- Contributions are also extended to the less fortunate during festive seasons.

3. Safety and convenience

- For long-distance road users’ safety and convenience, we have built and maintained, out of our own goodwill, a spacious and well-equipped Rest & Service Area (RSA) in Rantau Manis, Gua Musang, Kelantan. It is the country’s first such RSA outside toll roads.
- The Group also gave back to the community by upgrading 5km stretches of rural road at Kg Bukit Katil in Melaka, Bukit Merah in Perak and in Selangor at Sabak Bernam and Kuala Selangor using its own recycling technology.

Calendar of events

PROTASCO BERHAD 548078-H

May 2007 ➤

Protasco Made Headway Into Libya

Protasco Berhad made headway into Libya with a road maintenance project of the 99.1 km Tripoli – Gharian Road. The project commenced in May 2007 and is expected to end in February 2009.

The scope of work comprise milling, re-construction on existing carriageway and road shoulder, laying of reinforcement fabric and application of crack sealant and laying of new asphalted concrete mixes.



29 June 2007 ➤

Alor Gajah - Melaka Tengah - Jasin (AMJ) Avenue Officially Opened

The Simpang Ampat - Melaka - Muar (SAMM) Road was officially opened to public by Melaka's Chief Minister, YAB Datuk Seri Haji Mohd Ali Mohd Rustam. The new road is to be known as Alor Gajah - Melaka Tengah - Jasin (AMJ) Avenue as AMJ signifies the three districts which the 70 km avenue cuts through. Costing RM505.6 million, AMJ Avenue was constructed by HCM Engineering Sdn Bhd.



◀ 26 - 29 August 2007

Kumpulan Ikram's People Transformation Framework Initiated

The 1st of Kumpulan Ikram's People Transformation Framework meetings were kicked off on the 26th August 2007 in the vibrant city of Shenzhen, China. The meeting finalised the 1st draft of the framework that will eventually see all staff moving forward together in one direction to achieve the same vision.



◀ 19 August 2007

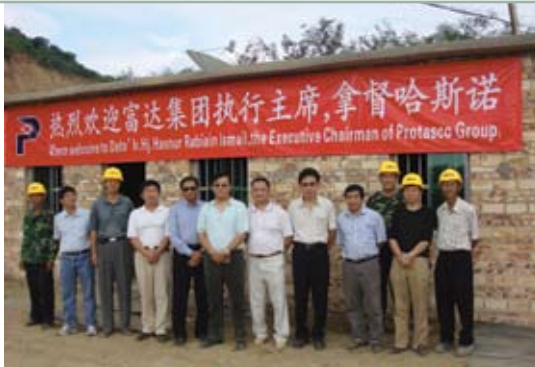
Unipark Condominium Launched

Protasco Land Sdn Bhd launched its maiden development project, Unipark Condominium on 19th August 2007 with warm response from the public. The development offers condominium units at prices ranging from RM193,800 to RM250,000.

26 September 2007 ▶

Protasco Berhad's Annual 'Iftar Perdana'

The annual Protasco Berhad's 'Iftar Perdana', an event to extend goodwill to staff and some orphans were held on the 26th September 2007 at Ikram Park. The event was jointly organised by KLIUC and Protasco Berhad. 45 orphans from 2 homes were presented with goodwill gift bags by YBhg Tan Sri Dato' Dr Abdul Hamid bin Othman, Chairman of the Board of Governors for KLIUC.



13 November 2007 ▲

Quarry In Hainan, China Officiated

The operations of the quarry at Lingshui District, in Hainan Province, China was officiated by YBhg Dato Hasnur Rabiain Ismail, Chairman of Protasco Berhad. The setting-up, commissioning & operation of the quarry is being carried out by Hainan Rifu Resources Co Ltd. The total cost of the project is RMB10m (RM4.5m). Construction started in July 2007 and the quarry plant was commissioned in November 2007. Quarry operation commenced in January 2008.



14 November 2007 ▲

Protasco In Mobile Technology

Signing of a shareholders agreement between Good Point Enterprises Development Co Ltd and Ximax Communications Sdn Bhd to form Ximax Communications Co Ltd. The signing was done in Shenzhen, China.

The purpose of the JV company is to undertake cooperation in the establishment and management of the business of the design, produce, market, sales, trade and export of mobile phones.

◀ 8 December 2007



KLIUC'S 5th Convocation

506 students graduated during KLIUC's 5th Convocation held on 8th December 2007.

The university also introduced the Board of Governors Book Award and President Book Award. These awards are for those who excelled in both academics and extra-curricular activities.



31 March 2008 ▲

10th KLIUC Anniversary Celebration - 10 Years Building the Future

On 31st January 2008, KLIUC celebrated its 10th Year Anniversary at its campus in Ikram Park. The event was officiated by the Parliamentary Secretary to the Ministry of Higher Education, YB Datuk Dr Adham Baba.

As Malaysia's premier Infrastructure University, KLIUC gained its expertise and aptitude through the Research and Training Institute of the Public Works Department, Malaysia (IKRAM) by establishing Ikram College in 1998 that was eventually upgraded to a university college in 2003.



31 January 2008 ▲

Ikram Skills And Retraining Academy (ISRA) Launched

Kumpulan Ikram Sdn Bhd introduced its latest training arm, Ikram Skills and Retraining Academy or to be known as ISRA. ISRA's logo was unveiled to the guests during the launching ceremony. ISRA is managed by Ikram Skills Academy Sdn Bhd.

MEMBERSHIP AND MEETINGS

The Audit Committee comprises the following members:

Datin Normah binti Kassim

Chairperson (Independent Non-Executive Director)

Datin Azliza binti Ahmad Tajuddin

Member (Independent Non-Executive Director)

Benny Soh Seow Leng

Member (Independent Non-Executive Director)

Dato' Chong Ket Pen

Member (Managing Director), resigned on 29.2.2008

The Audit Committee held five (5) meetings during the financial year ended 31 December 2007. The meetings were attended by all members except for Datin Azliza binti Ahmad Tajuddin who had attended four (4) out of five (5) meetings.

Dato' Chong Ket Pen being Managing Director of the Group has resigned as a member of Audit Committee, in compliance with the amended Listing Requirements that state all Audit Committee Members must be Non-Executive Directors, with a majority of them being Independent Directors.

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 firms are involved;
- (ii) Review the adequacy of the scope, functions, competency 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 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.

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

For the year ended 31 December 2007, a number of issues had been raised during the audit process but none had significant impact on the Group. All the issues highlighted had been addressed accordingly.

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, competency 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 and its written explanations, if any; and
 - (h) whether there is any reason (supported by grounds) to believe that the external auditors is not suitable for reappointment.

2. To consider the nomination of external auditors.
3. To review the functions of internal audit department that reports directly to the Audit Committee.
4. 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, all the Audit Committee members must be Non-Executive Directors, with a majority of them being Independent Directors. 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.
 - (d) fulfills such other requirements as prescribed or approved by the Exchange.
- 1.2 The members of the Audit Committee shall elect a Chairman from among their number who shall be an independent director.

AUDIT COMMITTEE CHARTER (CONTINUED)

1. Composition (continued)

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, the internal auditors or both, excluding the attendance of other directors and employees of the company, whenever deemed necessary.

3. Responsibility

The Audit Committee is to serve 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 is to assist 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.

4. Meetings

4.1 Frequency

The Audit Committee is to meet at least four (4) times per year with minimum 2 times with the external auditor without the presence of executive board members.

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 of audit and general extent of the external auditor's examination, including their engagement letter.

AUDIT COMMITTEE CHARTER (CONTINUED)

4. Meetings (continued)

4.5 Specific Duties (continued)

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 A summary of the activities of the internal audit function or activity.

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

COMPLIANCE WITH THE CODE

The Company's Board of Directors (Board) believes that it has on the whole complied with the principles and best practices outlined in the Malaysian Code on Corporate Governance.

BOARD OF DIRECTORS

The Board

The Board shares a common objective of providing the best total integrated solutions in road construction, maintenance, upgrading and rehabilitation; supported and complemented by engineering, trading, R&D, education and training services.

With the overall responsibility for the Company's strategic direction, the Board always strive to give due attention to matters pertaining to corporate strategy, business operations and performance amid changes in the marketplace. It also resolutely embraces the triple bottom line concept of economic, social and environmental wellness.

Composition of the Board and Board Balance

At present there are six (6) members of the Board comprising the Executive Chairman, Managing Director and four (4) Independent Non-Executive Directors.

There is balance in the Board with the presence of four (4) Independent Non-Executive Directors with the necessary skills and experience. Please refer to their profiles on page 6 and 7 of this Annual Report. All the Independent Directors have neither business nor other relationships that could materially interfere with the exercise of their independent judgment.

Training

All Directors have attended the Mandatory Accreditation Programme (MAP). Besides, they also attend continuous education programmes and seminars to keep abreast with both developments in the marketplace and new regulatory requirements.

Board Meetings

During the year under review, five (5) Board Meetings were held. Except for Dato' Hasnur Rabiain Bin Ismail and Datin Azliza Ahmad Tajuddin who had attended four (4) out of five (5) meetings, the other Directors had attended all the Board Meetings held.

Supply of and Access to Information and Advice

The Company provides the Board with complete assistance and gives it full access to necessary materials and relevant information. Together with proper counsel from the Company Secretaries and others, these have enabled the Board to effectively discharge its functions. In fact if they so wish, the Directors are encouraged to and not prevented from seeking external guidance.

Appointments & Re-Election of Directors

The ratio of Independent Non-Executive Directors to Executive Directors is still at four to two (4:2).

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 (3) or a multiple of three (3), the number nearest to one-third, shall retire from office, provided that all Directors shall retire from office at least once in three (3) 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 have enabled the Company to attract and retain Directors with relevant experience and expertise.

Details of the Directors' Remuneration for the financial year ended 31 December 2007 are stipulated in the Financial Statements as set out on pages 78 and 79 of the Annual Report.

REACHING OUT TO SHAREHOLDERS AND INVESTORS

Investor and Media Relations

The Company held meetings with analysts, investors and reporters as a way to obtain feedback and discuss issues of mutual interests.

Besides, the Company issued timely release of its financial results and other required announcements and responded promptly to enquiries from analysts and investors. It also has a dedicated website, www.protasco.com.my. The Company has executed an agreement with Bursa Malaysia to enable an automatic-link with Bursa Malaysia's website so that the various announcements made to Bursa can be accessed simultaneously from both websites.

The Company also subscribes to the services provided by SI Portal.com Sdn Bhd, as recommended by Bursa Malaysia, to enhance its investor relation initiatives.

Contact person:

Marina Jaal, General Manager, Corporate Communications
Tel: 03-8738 3282 Fax: 03-8926 4008 Email: ccd@protasco.com.my

The Annual General Meeting (AGM)

The AGM is the main forum for dialogue with all shareholders. They are encouraged and are given sufficient opportunity to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns.

Shareholders who cannot attend are allowed to appoint proxies to attend and vote on their behalf. Shareholders can also contact the Company with their queries.

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 financial statements and ensure that the Group has used appropriate accounting policies, supported by reasonable and prudent judgement and estimates. The Audit Committee assists the Board by scrutinising the information to be disclosed to ensure adequacy. The Group's financial statements are presented on pages 35 to 92 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 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 24 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 proper accounting records - disclosing with reasonable accuracy the financial position of the Group and Company and ensuring 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 in a timely manner in order to keep the investing public informed of the Group's latest development.

GOING CONCERN STATEMENT

Having exercised 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

PROTASCO BERHAD 548078-H

The Board is committed to maintaining a sound system of internal control to safeguard shareholders' investments and the Group's assets. The system of internal control covers financial, operation and regulatory procedures. The Board ensures the effectiveness of the system through regular reviews.

The Board, however, recognises that there are inherent limitations in any system of internal control, which is generally designed to mitigate rather than eliminate business risk. Accordingly, it can only provide reasonable, and not absolute assurance against material error, 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 quarterly 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; and
- Employees are regularly sent for training in areas relevant to their work to ensure that they are technically sound and competent to discharge their duties effectively.

Other compliance information

1. Share Buyback

The Company had at its Sixth Annual General Meeting held on 20 June 2007 obtained approval of the shareholders in relation to the Share Buyback authority, whereby the Directors are authorised to purchase and/or hold at any point in time up to ten percent (10%) of the issued and paid share capital of the Company for the time being quoted on the Bursa Malaysia Securities Berhad.

For the financial year ended 31 December 2007, the Company purchased a total of 641,000 shares, all of which are retained as treasury shares. None of the shares purchased has been sold or cancelled. Details of the shares repurchased are set out below:

Monthly Breakdown	No. of Ordinary Shares	Buyback Price Per Share (RM)		Average Cost Per Share	Total Cost
		Lowest	Highest	RM	RM
January	497,200	0.905	0.950	0.939	466,770
February	2,800	1.100	1.100	1.100	3,080
August	21,000	0.825	0.950	0.891	18,712
November	120,000	0.987	1.000	0.990	118,787
TOTAL	641,000				607,349

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 2007 amounted to RM 58,688.

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 2007.

6. Profit Guarantees

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

7. Material Contracts

Other than as disclosed in the Note 47 of the Financial Statements and the Circular to Shareholders dated 28 May 2008, there is no material contracts entered into by the Company or its subsidiaries involving Directors' and major shareholders' interests since the end of 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 2007.

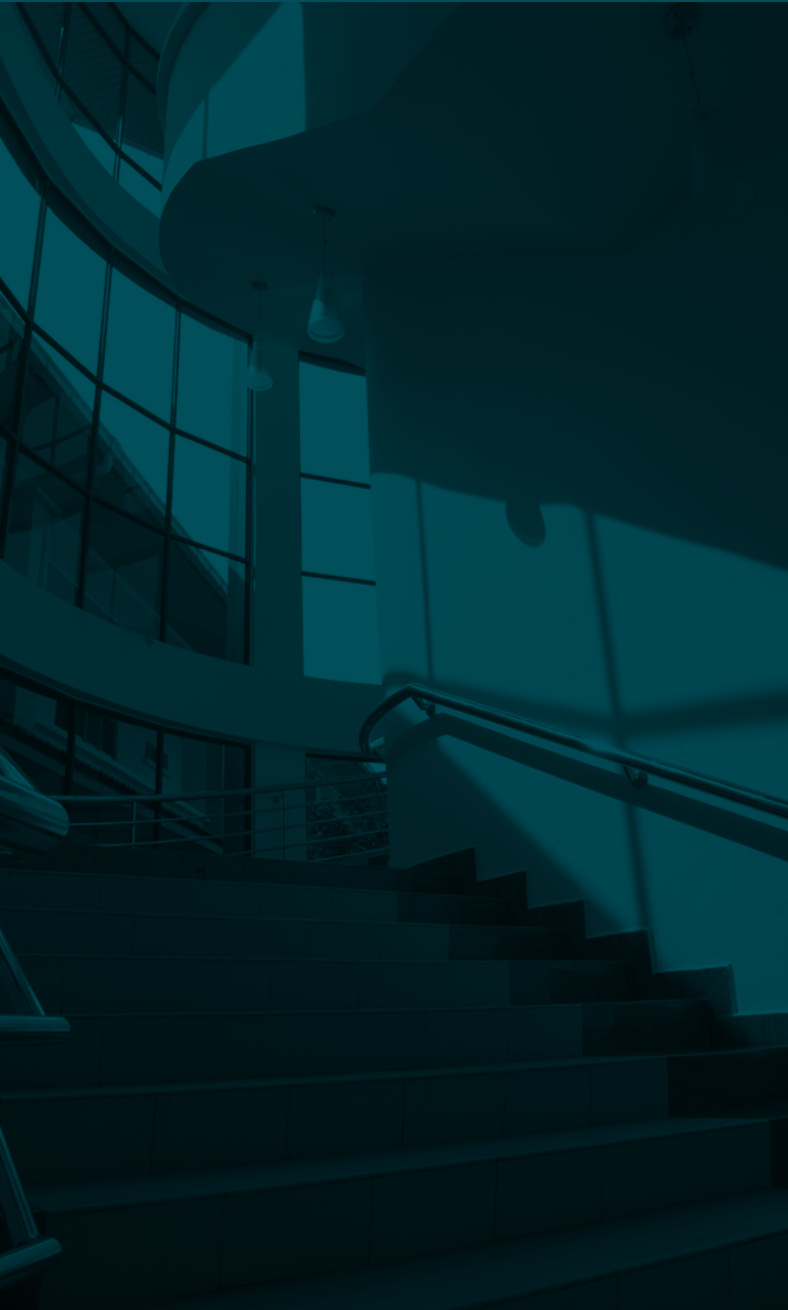
9. Revaluation Policy of Landed Properties

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 of the Recurrent Related Party Transactions are set out below and in the Circular to Shareholders dated 28 May 2008.

Transaction Parties	Relationship	Nature of Transactions	Name of Companies	Amount Transacted during the Financial Year (RM'000)
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	HCM Engineering Sdn Bhd	1,266
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 consultancy services for engineering work	Kumpulan Ikram Sdn Bhd	229
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	Ikram Structure Assessment Sdn Bhd	12
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 site investigation and other related services	Ikram Engineering Services Sdn Bhd	13
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 staff training	Ikram Latihan Sdn Bhd	5
Lee Lai Yin	Lee Lai Yin is the spouse of Tan Heng Kui, a director of Kumpulan Ikram (Sabah) Sdn Bhd	Rental of office	Kumpulan Ikram (Sabah) Sdn Bhd	12



financial statements

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The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

Principal Activities

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	The Group RM'000	The Company RM'000
Profit after taxation for the financial year	52,940	23,773
Attributable to:		
Equity holders of the Company	33,701	23,773
Minority interests	19,239	-
	52,940	23,773

Dividends

Since the end of the previous financial year, the Company paid the following dividends:-

- a final dividend of 5.48 sen per ordinary share less 27% tax amounting to RM11,945,193 in respect of the previous financial year; and
- an interim dividend of 5.48 sen per ordinary share less 27% tax amounting to RM11,939,552 in respect of the current financial year.

At the forthcoming Annual General Meeting, the directors recommend a final dividend in respect of the financial year ended 31 December 2007 of 5.41 sen per ordinary share less 26% tax amounting to approximately RM11,938,360 computed based on the issued and paid-up capital as at 31 December 2007 of 298,459,000 ordinary shares of RM0.50 each to be paid to shareholders whose names appear in the Record of Depositors on 30 June 2008. 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 2008.

Reserves And Provisions

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

Issues Of Shares And Debentures

During the financial year,

- (a) there were no changes in the authorised and issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

Treasury Shares

During the year, the Company purchased 641,000 (2006 - 370,000) of its issued ordinary shares from the open market at prices ranging from RM0.83 to RM1.10 (2006 - RM0.83) per share. The total consideration paid for the purchase including transaction costs was RM611,751 (2006 - RM306,512). The shares purchased were retained as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965 and presented as a deduction from shareholders' equity.

As at 31 December 2007, the Company held as treasury shares a total of 1,541,000 (2006 - 900,000) of its 300,000,000 (2006 - 300,000,000) issued ordinary shares. The treasury shares are held at a carrying amount of RM1,317,246 (2006 - RM705,495) and further relevant details are disclosed in Note 25 to the financial statements.

Options Granted Over Unissued Shares

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

Bad And Doubtful Debts

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would further require the writing off of bad debts, or the additional allowance for doubtful debts in the financial statements of the Group and of the Company.

Current Assets

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their values as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

Valuation Methods

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

Contingent And Other Liabilities

The contingent liabilities are disclosed in Note 46 to the financial statements. At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

Change Of Circumstances

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Items Of An Unusual Nature

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

Directors

The directors who served since the date of the last report are as follows:-

Dato' Hasnur Rabiain Bin Ismail
Dato' Chong Ket Pen
Dato' Dr. Norraesah Binti Hj. Mohamad
Datin Normah Binti Kassim
Datin Azliza Binti Ahmad Tajuddin
Benny Soh Seow Leng

Directors' Interests

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

	Number Of Ordinary Shares Of RM0.50 Each			At 31.12.2007
	At 1.1.2007	Bought	Sold	
Direct Interests				
Dato' Hasnur Rabiain Bin Ismail	39,119,193	20,000	-	39,139,193
Dato' Chong Ket Pen	39,724,693	-	-	39,724,693
Datin Normah Binti Kassim	90,000	-	-	90,000
Datin Azliza Binti Ahmad Tajuddin	149,500	-	-	149,500
Benny Soh Seow Leng	170,000	-	(20,000)	150,000
Indirect Interests				
Dato' Hasnur Rabiain Bin Ismail	52,201,720	-	-	52,201,720
Dato' Chong Ket Pen	22,964,074	-	-	22,964,074

By virtue of their interests in the Company, Dato' Hasnur Rabiain Bin Ismail and Dato' Chong Ket Pen are deemed to have interests in shares in the subsidiaries to the extent of the Company's interest, in accordance with Section 6A of the Companies Act, 1965.

The other director holding office at the end of the financial year had no interest in shares in the Company or its related corporations during the financial year.

Directors' Benefits

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, 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 the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 47 to the financial statements.

Neither during nor at the end of the financial year was the Company or its subsidiaries a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Significant Events During The Financial Year

The significant events of the Group and of the Company during the financial year are disclosed in Note 48 to the financial statements.

Significant Event Subsequent To The Financial Year

The significant event of the Group and of the Company subsequent to the financial year is disclosed in Note 49 to the financial statements.

Auditors

The auditors, Messrs. Horwath, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors dated 29 April 2008.

Dato' Hasnur Rabiain Bin Ismail

Dato' Chong Ket Pen

Statement by directors

We, Dato' Hasnur Rabiain Bin Ismail and Dato' Chong Ket Pen, being two of the directors of Protasco Berhad, state that, in the opinion of the directors, the financial statements set out on pages 35 to 92 are drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2007 and of their results and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 29 April 2008.

Dato' Hasnur Rabiain Bin Ismail

Dato' Chong Ket Pen

Statutory declaration

I, Sofia Binti Zakaria, being the officer primarily responsible for the financial management of Protasco Berhad, do solemnly and sincerely declare that the financial statements set out on pages 35 to 92 are, to the best of my knowledge and belief, 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
Sofia Binti Zakaria, at Kuala Lumpur
in the Federal Territory
on this 29 April 2008

Sofia Binti Zakaria

Before me

Datin Hajah Raihela Wanchik (No. W-275)
Commissioner for Oaths

Report of the auditors to the members of Protasco Berhad

PROTASCO BERHAD 548078-H

We have audited the financial statements set out on pages 35 to 92. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report. The financial statements of the Group and of the Company for the preceding year were audited by another firm of auditors whose report dated 27 April 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of:-
 - (i) the state of affairs of the Group and of the Company at 31 December 2007 and their results and cash flows for the financial period ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' report thereon of the subsidiaries for which we have not acted as auditors, as indicated in Note 6 to the financial statements.

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

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comments made under Section 174(3) of the Companies Act, 1965.

Horwath
Firm No : AF 1018
Chartered Accountants

James Chan Kuan Chee
Approval No : 2271/10/09 (J)
Partner

Kuala Lumpur
29 April 2008

Balance sheets

At 31 December 2007

	Note	The Group		The Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investment in subsidiaries	6	-	-	129,429	129,429
Investment in associates	7	2,110	2,211	-	-
Property, plant and equipment	8	181,701	164,667	-	-
Prepaid land lease payments	9	3,490	3,562	-	-
Land held for property development	10	3,200	203	-	-
Development cost	11	1,353	1,913	-	-
Goodwill on consolidation	12	264	8	-	-
Long-term investments	13	809	416	-	-
		192,927	172,980	129,429	129,429
CURRENT ASSETS					
Inventories	14	434	334	-	-
Property development costs	15	4,184	-	-	-
Amount owing by contract customers	16	16,661	3,537	-	-
Trade receivables	17	214,685	204,227	-	-
Other receivables	18	16,986	8,769	5	5
Amount owing by subsidiaries	19	-	-	71,868	59,999
Amount owing by associates	20	5,463	3,850	-	-
Tax recoverable		6,914	3,425	-	81
Short-term investments	21	7,301	11,498	-	-
Deposits with licensed banks	22	76,462	61,428	3,132	3,841
Cash and bank balances	23	18,747	28,650	289	140
		367,837	325,718	75,294	64,066
TOTAL ASSETS		560,764	498,698	204,723	193,495

Balance sheets

PROTASCO BERHAD 548078-H

At 31 December 2007

	Note	The Group		The Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	24	150,000	150,000	150,000	150,000
Treasury shares	25	(1,317)	(705)	(1,317)	(705)
Share premium		43,531	43,531	43,531	43,531
Foreign exchange translation reserve	26	(1,557)	58	-	-
Retained profits	27	131,608	121,792	295	407
SHAREHOLDERS' EQUITY		322,265	314,676	192,509	193,233
MINORITY INTERESTS		29,668	40,221	-	-
TOTAL EQUITY		351,933	354,897	192,509	193,233
NON-CURRENT LIABILITIES					
Deferred tax liabilities	28	7,616	7,588	-	-
Long-term borrowing	29	592	357	-	-
		8,208	7,945	-	-
CURRENT LIABILITIES					
Trade payables	32	138,633	100,908	-	-
Other payables	33	31,784	19,480	24	12
Amount owing to subsidiaries	19	-	-	250	250
Dividends payable		11,940	-	11,940	-
Provision for taxation		3,973	10,081	-	-
Short-term borrowings	34	13,062	5,387	-	-
Bank overdrafts	35	1,231	-	-	-
		200,623	135,856	12,214	262
TOTAL LIABILITIES		208,831	143,801	12,214	262
TOTAL EQUITY AND LIABILITIES		560,764	498,698	204,723	193,495

The annexed notes form an integral part of these financial statements.

Income statements

For the financial year ended 31 December 2007

	Note	The Group		The Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
REVENUE	36	506,325	538,378	34,978	31,417
COST OF SALES	37	(357,500)	(384,046)	-	-
GROSS PROFIT		148,825	154,332	34,978	31,417
OTHER INCOME		5,577	5,530	107	123
ADMINISTRATIVE EXPENSES		(12,555)	(11,226)	(186)	(171)
OTHER EXPENSES		(69,806)	(68,183)	(2,411)	(2,572)
PROFIT FROM OPERATIONS		72,041	80,453	32,488	28,797
FINANCE COSTS		(588)	(529)	-	-
SHARE OF PROFIT/(LOSS) OF ASSOCIATES		9	(107)	-	-
PROFIT BEFORE TAXATION	38	71,462	79,817	32,488	28,797
INCOME TAX EXPENSE	40	(18,522)	(26,239)	(8,715)	(8,171)
PROFIT AFTER TAXATION		52,940	53,578	23,773	20,626
ATTRIBUTABLE TO:					
Equity holders of the Company		33,701	26,543	23,773	20,626
Minority interests		19,239	27,035	-	-
		52,940	53,578	23,773	20,626
EARNING PER SHARE (Sen)					
- Basic	41	11.3	8.9		

The annexed notes form an integral part of these financial statements.

Statements of changes in equity

PROTASCO BERHAD 548078-H

For the financial year ended 31 December 2007

Note	Attributable To Equity Holders										Total Equity RM'000	
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Foreign Exchange Translation Reserve RM'000	Other Reserve RM'000	Retained Profits RM'000	Total RM'000	Minority Interests RM'000	Non-Distributable			
The Group												
At 1.1.2006	150,000	43,531	(399)	61	30,266	85,930	309,389	30,752			340,141	
Effect of adopting FRS 3	-	-	-	-	(30,266)	30,266	-	-			-	
Currency translation difference not recognised in income statement	-	-	-	(3)	-	-	(3)	-			(3)	
Profit after taxation for the financial year	-	-	-	-	-	26,543	26,543	27,035			53,578	
Treasury shares acquired	-	-	(306)	-	-	-	(306)	-			(306)	
Dividends	-	-	-	-	-	(20,947)	(20,947)	(17,566)			(38,513)	
At 31.12.2006/1.1.2007	150,000	43,531	(705)	58	-	121,792	314,676	40,221			354,897	
Currency translation difference not recognised in income statement	-	-	-	(1,615)	-	-	(1,615)	-			(1,615)	
Profit after taxation for the financial year	-	-	-	-	-	33,701	33,701	19,239			52,940	
Treasury shares acquired	-	-	(612)	-	-	-	(612)	-			(612)	
Dividends	-	-	-	-	-	(23,885)	(23,885)	(29,800)			(53,685)	
Net effects of the acquisition of subsidiaries	-	-	-	-	-	-	-	8			8	
At 31.12.2007	150,000	43,531	(1,317)	(1,557)	-	131,608	322,265	29,668			351,933	

The annexed notes form an integral part of these financial statements.

Statements of changes in equity

For the financial year ended 31 December 2007

Note	← Attributable To Equity Holders →				Total RM'000
	Share Capital RM'000	← Non-Distributable →		Retained Profits RM'000	
		Share Premium RM'000	Treasury Shares RM'000		
The Company					
At 1.1.2006	150,000	43,531	(399)	728	193,860
Profit after taxation for the financial year	-	-	-	20,626	20,626
Treasury shares acquired	-	-	(306)	-	(306)
Dividends 42	-	-	-	(20,947)	(20,947)
At 31.12.2006/1.1.2007	150,000	43,531	(705)	407	193,233
Profit after taxation for the financial year	-	-	-	23,773	23,773
Treasury shares acquired	-	-	(612)	-	(612)
Dividends 42	-	-	-	(23,885)	(23,885)
At 31.12.2007	150,000	43,531	(1,317)	295	192,509

The annexed notes form an integral part of these financial statements.

Cash flow statements

PROTASCO BERHAD 548078-H

For the financial year ended 31 December 2007

	Note	The Group		The Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit before taxation		71,462	79,817	32,488	28,797
Adjustments for:-					
Amortisation of development cost		560	560	-	-
Amortisation of prepaid land lease payments		72	71	-	-
Allowance for doubtful debts		32	1,390	-	-
Bad debts written off		410	6	-	-
Depreciation of property, plant and equipment		17,365	17,467	-	-
Gain on disposal of property, plant and equipment		(1,430)	(608)	-	-
Gross dividends from subsidiaries		-	-	(32,729)	(29,167)
Impairment of investment in associates		-	700	-	-
Interest income		(1,803)	(2,353)	(102)	(123)
Interest expense		588	529	-	-
Negative goodwill written off		-	(28)	-	-
Reversal of allowance for doubtful debts		(33)	(1,149)	-	-
Share of results in associates		9	(107)	-	-
Tax exempt dividends received from investment in unit trusts		(278)	(400)	-	-
Unrealised exchange losses		70	1,707	-	-
Waiver of debts		(9)	-	-	-
Operating profit before working capital changes		87,015	97,602	(343)	(493)
(Increase)/Decrease in inventories		(100)	390	-	-
(Increase)/Decrease in amount owing by contract customers		(13,124)	1,649	-	-
(Increase)/Decrease in trade and other receivables		(19,084)	(33,695)	-	291
Increase/(Decrease) in trade and other payables		40,238	(11,960)	12	3
Decrease/(Increase) in amount owing by associates		387	(3,850)	-	-
CASH FROM/(FOR) OPERATIONS		95,332	50,136	(331)	(199)
Interest paid		(588)	(529)	-	-
Tax (paid)/refunded		(28,091)	(20,810)	95	(4)
NET CASH FROM/(FOR) OPERATING ACTIVITIES CARRIED FORWARD		66,653	28,797	(236)	(203)

The annexed notes form an integral part of these financial statements.

Cash flow statements

For the financial year ended 31 December 2007

	Note	The Group		The Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
NET CASH FROM/(FOR) OPERATING ACTIVITIES BROUGHT FORWARD		66,653	28,797	(236)	(203)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Additional investment in associates		-	(765)	-	-
Additional investment in subsidiaries		(248)	(300)	-	(250)
Advances to associates		(2,000)	-	-	-
Interest received		1,803	2,353	102	123
Net dividends received from subsidiaries		-	-	12,000	21,000
Proceeds from disposal of property, plant and equipment		6,379	1,696	-	-
Property development cost incurred		(7,181)	-	-	-
Purchase of other investment		-	(94)	-	-
Purchase of property, plant and equipment	43	(38,716)	(12,542)	-	-
Purchase of treasury shares		(612)	(306)	(612)	(306)
Purchase of unquoted investments		(393)	-	-	-
Tax exempt dividends received from investment in unit trusts		278	400	-	-
Redemption of marketable unit trust		4,197	1,670	-	-
Repayment from subsidiaries		-	-	131	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(36,493)	(7,888)	11,621	20,567
NET CASH FLOWS FOR FINANCING ACTIVITIES					
Dividends paid		(11,945)	(27,833)	(11,945)	(27,834)
Dividends paid to minority shareholders		(20,000)	(17,950)	-	-
Net drawdown of short-term borrowings		-	2,599	-	-
Repayment of hire purchase		(418)	(780)	-	-
Repayment of bank borrowings		7,666	-	-	-
Repayment of term loan		(38)	-	-	-
NET CASH FOR FINANCING ACTIVITIES		(24,735)	(43,964)	(11,945)	(27,834)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,425	(23,055)	(560)	(7,470)
FOREIGN EXCHANGE TRANSLATION DIFFERENCES		(1,525)	-	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		90,078	113,133	3,981	11,451
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	44	93,978	90,078	3,421	3,981

The annexed notes form an integral part of these financial statements.

Notes to the financial statements

PROTASCO BERHAD 548078-H

For the financial year ended 31 December 2007

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Malaysian Companies Act, 1965. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

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

Principal place of business : 87, Jalan Kampong Pandan,
55100 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 29 April 2008.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its market, credit, liquidity and cash flow risks. The policies in respect of the major areas of treasury activity are as follows:

(a) Market Risk

(i) Foreign Currency Risk

The Group's exposure to foreign currency risk arises mainly from its investment in overseas subsidiaries and joint ventures that are denominated in Euro, Chinese Renminbi, Libyan Dinar and South African Rand.

The Group's foreign exchange management policy is to minimise economic and significant transactional exposures arising from currency movements.

Foreign currency risk is monitored closely and managed to an acceptance level.

(ii) Interest Rate Risk

The Group obtains financing through bank borrowings and hire purchase facilities. Its policy is to obtain the most favourable interest rate available.

Surplus funds are placed with licensed financial institutions at the most favourable interest rates.

(iii) Price Risk

The Group principal exposure to price risks arises mainly from changes in quoted securities prices. Price risk is monitored closely and managed to an acceptable level.

3. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet reduced by the effects of any netting arrangements with counterparties.

The Group's major concentration of credit risks related to the amount owing by the Government of Malaysia which constituted a significant amount of its total trade receivables at the balance sheet date.

The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

(c) Liquidity and Cash Flow Risks

The Group's exposure to liquidity and cash flow risks arises mainly from general funding and business activities.

It practises prudent liquidity risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

4. BASIS OF PREPARATION

The financial statements of the Group and of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965.

During the current financial year, the Group and the Company have adopted the following new and revised Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board (MASB):

(a) FRSs issued and effective for financial periods beginning on or after 1 October 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

(b) FRSs issued and effective for financial periods beginning on or after 1 January 2007:

FRS 6	Exploration for and Evaluation of Mineral Resources
FRS 119 ₂₀₀₄	Amendment to FRS 119 ₂₀₀₄ Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

The effects of adopting FRS 117 and FRS 124 on the accounting policies are disclosed in Notes 5(i) and 5(y) to the financial statements respectively, and the effects on the opening balances are disclosed in Note 53 to the financial statements.

The adoption of FRS 6 and Amendment to FRS 119₂₀₀₄ are not relevant to the Group and the Company's operations.

Notes to the financial statements

PROTASCO BERHAD 548078-H

For the financial year ended 31 December 2007

4. BASIS OF PREPARATION (CONT'D)

Framework for the Preparation and Presentation of Financial Statements has been issued and is effective immediately. This Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It is not a MASB approved accounting standard and hence, does not define standards for any particular measurement or disclosure issue. The Group and the Company have applied this Framework for the financial year ended 31 December 2007 onwards.

The Group and the Company have not adopted FRS 139 - Financial Instruments: Recognition and Measurement and the consequential amendments resulting from FRS 139 as the effective date is deferred to a date to be announced by the MASB. FRS 139 establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under paragraph 103AB of FRS 139, the impact of applying FRS 139 on its financial statements upon first adoption of the standard as required by paragraph 30(b) of FRS 108 is not disclosed.

The following FRSs have been issued and are effective for financial periods beginning on or after 1 July 2007 and will be effective for the Group and the Company's financial statements for the financial year ending 31 December 2008:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The above FRSs align the MASB's FRSs with the equivalent International Accounting Standards ("IASs"), both in terms of form and content. The adoption of these standards will only impact the form and content of disclosures presented in the financial statements. The Group and the Company will apply these FRSs from the financial year ending 31 December 2008 onwards.

FRS 134 - Interim Financial Reporting has been issued and is effective for the financial periods beginning on or after 1 July 2007. This FRS aligns the MASB's FRS with the equivalent IAS, both in terms of form and content. The adoption of this standard will only impact the form and content of disclosures presented in the quarterly financial statements. The Group and the Company will apply this FRS from the financial year ending 31 December 2008 onwards.

Amendment to FRS 121 - The Effects of Changes in Foreign Exchange Rates Net Investment in a Foreign Operation has been issued and is effective for financial periods beginning on or after 1 July 2007. This amendment results in exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation to be recognised in equity irrespective of the currency in which the monetary item is denominated and whether the monetary item results from a transaction with the Company or any of its subsidiaries. Previously, exchange differences arising from such transactions between the Company and its subsidiaries would be accounted for in the income statement or in equity depending on the currency of the monetary item. The Group and the Company will apply this amendment from the financial year ending 31 December 2008 onwards.

IC Interpretation 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation addresses the effects of events that changes the measurement of an existing decommissioning, restoration or similar liability, namely a change in the estimated outflow of resources embodying economic benefits required to settle the obligation, a change in the current market-based discount rate as defined in paragraph 48 of FRS 137₂₀₀₄ and an increase that reflects the passage of time. This interpretation is not relevant to the Group and the Company's operations.

4. BASIS OF PREPARATION (CONT'D)

IC Interpretation 2 - Members' Shares in Co-operative Entities and Similar Instruments has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group and the Company's operations.

IC Interpretation 5 - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group and the Company's operations.

IC Interpretation 6 - Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group and the Company's operations.

IC Interpretation 7 - Applying the Restatement Approach under FRS 129₂₀₀₄ Financial Reporting in Hyperinflationary Economies has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group and the Company's operations.

IC Interpretation 8 - Scope of FRS 2 has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation applies to transactions in which goods or services are received, including transactions in which the entity cannot identify specifically some or all of the goods or services received. Where the fair value of the share-based payment is in excess of the identifiable goods or services received, it is presumed that additional goods or services have been or will be received. The whole fair value of the share-based payment will be charged to the income statement. The Group and the Company will apply this interpretation from the financial year ending 31 December 2008 onwards.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates And Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below.

(i) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment is based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Notes to the financial statements

PROTASCO BERHAD 548078-H

For the financial year ended 31 December 2007

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates And Judgements (Cont'd)

(ii) *Income Taxes*

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) *Impairment of Assets*

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the Group is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) *Construction Contracts*

Construction contracts accounting requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of completion.

(i) *Contract Revenue*

Construction contracts accounting requires that variation claims and incentive payments only be recognised as contract revenue to the extent that it is probable that they will be accepted by the customers. As the approval process often takes some time, a judgement is required to be made of its probability and revenue recognised accordingly.

(ii) *Contract Costs*

Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract, management estimates the profitability of the contract on an individual basis at any particular time.

(v) *Allowance for Doubtful Debts of Receivables*

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(vi) *Allowance for Inventories*

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an 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.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

(c) Functional and Foreign Currency

(i) Functional and Presentation Currency

The functional currency of each of the Group's entity is measured using the currency of the primary economic environment in which that entity operates.

The consolidated financial statements are presented in Ringgit Malaysia ("RM") which is the parent's functional and presentation currency.

(ii) Transactions and Balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair values was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Notes to the financial statements

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For the financial year ended 31 December 2007

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Functional and Foreign Currency (Cont'd)

(ii) Transactions and Balances (Cont'd)

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also directly in equity.

(iii) Foreign Operations

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:-

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for income statement are translated at the average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised as a separate component of equity, as a foreign currency translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statements as part of the gain or loss on sale.

(d) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the financial year up to 31 December 2007.

A subsidiary is defined as a company in which the parent company has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

All subsidiaries are consolidated using the purchase method. Under the purchase method, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interests in the consolidated balance sheets consist of the minorities' share of fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition and the minorities' share of movements in the acquiree's equity.

Minority interests are presented in the consolidated balance sheet of the Group within equity, separately from the Company's equity holders, and are separately disclosed in the consolidated income statement of the Group.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Goodwill on Consolidation

Goodwill on consolidation represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable net assets of the subsidiaries at the date of acquisition.

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in a subsequent period.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised immediately in the consolidated income statement.

(f) Investments

(i) Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are stated at cost in the balance sheet of the Company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

On the disposal of the investments in subsidiaries and associates, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

(ii) Other Investments

Other investments held on a long-term basis are stated at cost less allowance for permanent diminution in value.

On the disposal of these investments, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

(iii) Marketable Securities

Marketable securities are carried at lower 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. Increase 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 profit or loss.

(g) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

Notes to the financial statements

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For the financial year ended 31 December 2007

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Associates (Cont'd)

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date of the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(h) Property, Plant and Equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at cost less any impairment loss, and is not depreciated.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives.

Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are as follows:-

Buildings	2%
Office renovation	10% - 33.33%
Reference books, office equipment, signboard, furniture and fittings	10% - 33.33%
Motor vehicles	12.50% - 20%
Laboratory equipment, plant and machinery	12.50% - 20%

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economics benefits embodied in the items of the property, plant and equipment.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Property, Plant and Equipment (Cont'd)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in the income statement in the year the asset is derecognised.

(i) Prepaid Land Lease Payments

The prepaid lease payments comprise the up-front payments made for the leasehold interest in land and are amortised on a straight line basis over the lease terms. Prior to 1 January 2007, leasehold land was classified under property, plant and equipment and was classified under property, plant and equipment and was stated at cost less accumulated depreciation and accumulated impairment losses, if any. Upon adoption of the revised FRS 117, the unamortised amount of leasehold interest in land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the revised FRS 117.

(j) Land Held for Property Development

Property development expenditure includes any incidental expenditure incurred to put a piece of land in a condition ready for development. Property development expenditure is classified as non-current assets on the balance sheet and is stated at cost.

(k) Property Development Costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, the amount of property revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, the property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred. Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables whilst the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

(l) Development Cost

Mobilisation and development cost incurred prior to the commercial readiness of the operations and have been capitalised and are amortised on a straight line basis over the period of their expected benefit, being not more than 5 years.

Notes to the financial statements

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Impairment of Assets

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' net selling price and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is charged to the income statement immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(n) Assets under Hire Purchase

Property, plant and equipment acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 5(h) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are allocated to the income statement over the periods of the respective hire purchase agreements.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first out basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all obsolete, damaged and slow-moving items.

(p) Amount Owing By/To Contract Customers

The amounts owing by/to contract customers is stated at cost plus profits attributable to contracts in progress less progress billings and allowance for foreseeable losses, if any. Cost includes direct materials, labour and applicable overheads.

(q) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) 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.

(s) Provisions

Provisions are recognised when the Company has a present obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when 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 effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

(t) Income Taxes

Income taxes on the profit or loss for the financial 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 or substantially enacted at the balance sheet date.

Deferred taxation is provided in full, using the liability method, on all material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs 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 assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are 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 the tax rates that have been enacted or substantially 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 to 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 excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(u) Interest-bearing Borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

All borrowing costs are charged to the income statement as expenses in the period in which they are incurred.

Notes to the financial statements

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(w) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(x) Employee Benefits

(i) Short-term Benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(y) Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party, to the extent that it prevents the other party from pursuing its own separate interests in making financial and operating decisions.

(z) Segmental Information

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of property, plant and equipment (net of accumulated depreciation, where applicable), other investments, inventories, receivables, and cash and bank balances.

Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets do not include income tax assets, whilst segment liabilities do not include income tax liabilities and borrowings from financial institutions.

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are based on normal commercial terms. These transfers are eliminated on consolidation.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(aa) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(ab) Revenue Recognition

(i) Sale of Goods

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of sales tax, returns and trade discounts.

(ii) Services

Revenue is recognised upon rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(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.

(iv) Construction Contracts

Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on completion of a physical proportion of the contract work.

(v) Property Development

Revenue from property development is recognised from the sale of completed and uncompleted development properties.

Revenue from the sale of completed properties is recognised when the sale is contracted.

Revenue on uncompleted properties contracted for sale is recognised based on the stage of completion method unless the outcome of the development cannot be reliably determined in which case the revenue on the development is only recognised to the extent of development costs incurred that are recoverable.

The stage of completion is determined based on the proportion that the development costs incurred for work performed to date bear to the estimated total development costs.

Notes to the financial statements

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For the financial year ended 31 December 2007

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(ab) Revenue Recognition (Cont'd)

(vi) Dividend Income

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

(vii) Interest Income

Interest income is recognised on an accrual basis, based on the effective yield on the investment.

(viii) Management Fees

Management fees are recognised when services are rendered.

(ix) Rental Income

Rental income is recognition on an accrual basis.

6. INVESTMENT IN SUBSIDIARIES

	The Company	
	2007	2006
	RM'000	RM'000
Unquoted shares, at cost	129,429	129,429

Details of the subsidiaries held by the Company are as follows:-

Name of Company	Country of incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
Kumpulan Ikram Sdn. Bhd.	Malaysia	100	100	Training, geotechnical laboratory, structural and material testing, soil investigation, research and development, listing of building materials, engineering and technical related activities and services.
HCM Engineering Sdn. Bhd.	Malaysia	100	100	Road construction, rehabilitation and maintenance.
Protasco Trading Sdn. Bhd.	Malaysia	100	100	Trading in construction materials and petroleum products.
Protasco Land Sdn. Bhd. *	Malaysia	100	100	Property development.
Protasco Infra Sdn. Bhd. *	Malaysia	100	100	Infrastructure and related work.

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of Company	Country of incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
Ikram Engineering Services Sdn. Bhd.	Malaysia	100	100	Site investigation and soil testing services.
Kumpulan Ikram (Sabah) Sdn. Bhd. *	Malaysia	60	60	Site investigation and soil testing services.
Ikram Education Sdn. Bhd. *	Malaysia	100	100	Educational services.
Ikram Latihan Sdn. Bhd. *	Malaysia	100	100	Training courses.
Ikram Structure Assessment Sdn. Bhd.*	Malaysia	100	100	Provision of structural and material testing.
Ikram QA Services Sdn. Bhd. *	Malaysia	100	100	Certification and listing of products.
Kumpulan Ikram (Sarawak) Sdn. Bhd. *	Malaysia	60	60	Site investigation and soil testing services.
Ikram Paves Sdn. Bhd.	Malaysia	100	60	Provision of evaluation and testing services for road pavement.
Ikram Libyana Sdn. Bhd. *	Malaysia	60	60	Provision of structural repair and rehabilitation.

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

Name of Company	Country of incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
Roadcare (M) Sdn. Bhd. *	Malaysia	51	51	Road maintenance and rehabilitation.
HCM-TH Technologies Sdn. Bhd. *	Malaysia	70	70	Road construction and rehabilitation.
HCM Engineering-lsyoda JV Sdn. Bhd. *	Malaysia	100	51	Dormant.
FRM Roadworks Sdn. Bhd. *	Malaysia	51	51	Dormant.

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For the financial year ended 31 December 2007

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of Company	Country of incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
HCM-Ikhtisas Sdn. Bhd. *	Malaysia	60	60	Investment holding.
HCM (L) Bhd. *	FT Labuan	100	100	Investment holding and rental of machineries.
HCM-Molek JV Sdn. Bhd. *	Malaysia	60	60	Road construction and rehabilitation.
HCM Arabia Sdn. Bhd. *	Malaysia	60	60	Road construction and rehabilitation.
KPS-HCM Sdn. Bhd. *	Malaysia	70	-	Dormant.

Details of subsidiaries held through HCM (L) Bhd. are as follows:-

Name of Company	Country of incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
HCM Engineering (PNG) Ltd. *	Papua New Guinea	100	100	Infrastructure development, construction development projects, agro-forestry and logging.
Global Traders Ltd. *	FT Labuan	100	100	Dormant.

Details of subsidiaries held through Protasco Trading Sdn. Bhd. are as follows:-

Name of Company	Country of incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
Protasco Infratech (M) Sdn. Bhd. *	Malaysia	100	100	Trading in road maintenance products.
QP Industries Sdn. Bhd. *	Malaysia	100	100	Production of pavement materials.
Protasco Enterprise SA (Pty) Ltd. *	South Africa	100	100	Investment holding.
Linktel Communication Sdn. Bhd. *	Malaysia	100	-	Dormant.

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of subsidiary held through Protasco Enterprise SA (Pty) Ltd. are as follows:

Name of Company	Country of incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
Protasco Trading (Pty) Ltd. (formerly known as Exclusive Access Trading 460 (Pty) Ltd) *	South Africa	100	100	Trading in building products.

Details of subsidiary held through Protasco Land Sdn. Bhd. are as follows:-

Name of Company	Country of incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
Protasco Land SA (Pty) Ltd. *	South Africa	70	100	Property development.

Details of subsidiaries held through Protasco Infra Sdn. Bhd. are as follows:-

Name of Company	Country of incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
Hainan Protasco Engineering Co. Ltd. (formerly known as Yangpu Hi-Pro Road Maintenance Co. Ltd.) *	China	100	100	Maintenance and rehabilitation of roads and other infrastructure works.
Infra Builders Sdn. Bhd. *	Malaysia	100	100	Building construction.
Infra Water Sdn. Bhd. *	Malaysia	55	55	Water and waste water works.
Ximax Communications Sdn. Bhd. *	Malaysia	100	-	Dormant.

Details of subsidiary held through Hainan Protasco Engineering Co. Ltd. are as follows:-

Name of Company	Country of incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
Hainan Rifu Resources Co. Ltd. *	China	89.4	-	Quarry operations.

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6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of subsidiary held through Infra Water Sdn. Bhd. are as follows:-

Name of Company	Country of incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
Enviw Resources Sdn. Bhd. *	Malaysia	51	-	Dormant.

* Audited by firms of auditors other than Horwath.

7. INVESTMENT IN ASSOCIATES

	The Group	
	2007 RM'000	2006 RM'000
Unquoted shares, at cost	1,483	1,483
Share of post acquisition profits	37	28
Foreign exchange translation reserve	(110)	-
	<hr/>	<hr/>
	1,410	1,511
Redeemable preference shares	1,400	1,400
	<hr/>	<hr/>
	2,810	2,911
Accumulated impairment losses	(700)	(700)
	<hr/>	<hr/>
	2,110	2,211
	<hr/>	<hr/>
Represented by:		
Share of net assets	2,110	2,211
	<hr/>	<hr/>

Details of associates held through HCM Engineering Sdn. Bhd. are as follows:-

Name of Company	Country of incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
THT-HCM JV Sdn. Bhd.	Malaysia	40	40	Road construction.
Protasco Engineering International Ltd. #	South Africa	49	-	Dormant.

Notes to the financial statements

For the financial year ended 31 December 2007

7. INVESTMENT IN ASSOCIATES (CONT'D)

Details of associate held through HCM-Ikhtisas Sdn. Bhd. are as follows:-

Name of Company	Country of incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
Libyan Malaysian Company for Roads and Construction	Libya	49	49	Construction and maintenance.

Details of associate held through Protasco Enterprise SA (Pty) Ltd. are as follows:-

Name of Company	Country of incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
Lotus Blinds & Flooring (Pty) Ltd.	South Africa	40	40	Manufacturing of blinds and flooring products.

The result of this associate has not been equity accounted as the Company is dormant and the amounts involved are insignificant.

The summarised financial statements of the associates are as follows:-

	The Group	
	2007 RM'000	2006 RM'000
ASSETS AND LIABILITIES		
Current assets	40,869	24,575
Non-current assets	9,881	1,919
Total Assets	50,750	26,494
Current liabilities	47,080	22,537
Non-current liabilities	-	-
Total Liabilities	47,080	22,537
RESULTS		
Revenue	40,031	29,298
Loss for the financial year	(234)	(2,828)

Notes to the financial statements

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For the financial year ended 31 December 2007

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land RM'000	Buildings RM'000	Renovation RM'000	Reference Books, Office Equipment, Signboard, Furniture and Fittings RM'000	Laboratory Equipment, Plant and Machinery RM'000	Motor Vehicles RM'000	Total RM'000
The Group							
At Cost							
At 1 January 2007	72,000	45,258	10,226	35,388	96,882	30,198	289,952
Additions	-	4,123	750	2,766	28,571	3,206	39,416
Disposals	-	-	-	(755)	(8,615)	(3,480)	(12,850)
Reclassification	-	(65)	65	-	-	-	-
Exchange rate differences	-	-	(1)	(1)	36	(18)	16
At 31 December 2007	72,000	49,316	11,040	37,398	116,874	29,906	316,534
Accumulated Depreciation							
At 1 January 2007	-	3,278	6,302	26,953	64,067	24,685	125,285
Charge for the financial year	-	904	1,100	3,400	10,169	1,792	17,365
Disposals	-	-	-	(603)	(4,306)	(2,945)	(7,854)
Exchange rate differences	-	-	1	-	35	1	37
At 31 December 2007	-	4,182	7,403	29,750	69,965	23,533	134,833
Net Book Value	72,000	45,134	3,637	7,648	46,909	6,373	181,701

Notes to the financial statements

For the financial year ended 31 December 2007

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
The Group			
At 31.12.2007			
Freehold land	72,000	-	72,000
Buildings	49,316	(4,182)	45,134
Renovation	11,040	(7,403)	3,637
Reference books, office equipment, signboard, furniture and fittings	37,398	(29,750)	7,648
Laboratory equipment, plant and machinery	116,874	(69,965)	46,909
Motor vehicles	29,906	(23,533)	6,373
	<hr/> 316,534	(134,833)	<hr/> 181,701 <hr/>
At 31.12.2006			
Freehold land	72,000	-	72,000
Buildings	45,258	(3,278)	41,980
Renovation	10,226	(6,302)	3,924
Reference books, office equipment, signboard, furniture and fittings	35,388	(26,953)	8,435
Laboratory equipment, plant and machinery	96,882	(64,067)	32,815
Motor vehicles	30,198	(24,685)	5,513
	<hr/> 289,952	(125,285)	<hr/> 164,667 <hr/>

Certain property, plant and equipment of the Group with a total net book value of RM1,430,426 (2006 - RM968,287) are held under hire purchase.

Certain property, plant and equipment of the Group with a total net book value of RM108,721,088 (2006 - RM109,555,361) were pledged to financial institutions as security to secure credit facilities as disclosed in Note 34.

Notes to the financial statements

PROTASCO BERHAD 548078-H

For the financial year ended 31 December 2007

9. PREPAID LAND LEASE PAYMENTS

	The Group	
	2007	2006
	RM'000	RM'000
At Cost:-		
Long-term leasehold land	3,755	3,755
Accumulated amortisation	(265)	(193)
	3,490	3,562
Accumulated amortisation:-		
At 1 January	193	122
Amortisation for the financial year	72	71
	265	193
At 31 December		

10. LAND HELD FOR PROPERTY DEVELOPMENT

	The Group	
	2007	2006
	RM'000	RM'000
At Cost:-		
Development expenditure		
At 1 January	203	47
Addition during the financial year	3,200	156
Transfer to property development costs (Note 15)	(203)	-
	3,200	203
At 31 December		

11. DEVELOPMENT COST

	The Group	
	2007	2006
	RM'000	RM'000
At Cost:-		
At 1 January	2,532	510
Addition during the financial year	-	2,022
	2,532	2,532
At 31 December		

Notes to the financial statements

For the financial year ended 31 December 2007

11. DEVELOPMENT COST (CONT'D)

	The Group	
	2007	2006
	RM'000	RM'000
Accumulated amortisation:-		
At 1 January	619	59
Amortisation for the financial year	560	560
	<hr/>	<hr/>
At 31 December	1,179	619
	<hr/>	<hr/>
Net book value at 31 December	1,353	1,913

12. GOODWILL ON CONSOLIDATION

	The Group	
	2007	2006
	RM'000	RM'000
Arising from the acquisition of subsidiaries	264	8
	<hr/>	<hr/>

13. LONG-TERM INVESTMENTS

	The Group	
	2007	2006
	RM'000	RM'000
At Cost:		
Unquoted shares	423	30
Club membership	386	386
	<hr/>	<hr/>
	809	416
	<hr/>	<hr/>

14. INVENTORIES

	The Group	
	2007	2006
	RM'000	RM'000
At Cost:		
Stores and spares	434	334
	<hr/>	<hr/>

Notes to the financial statements

PROTASCO BERHAD 548078-H

For the financial year ended 31 December 2007

15. PROPERTY DEVELOPMENT COSTS

	The Group	
	2007	2006
	RM'000	RM'000
At 1 January	-	-
Transferred from land held for property development (Note 10)	203	-
Development costs incurred during the financial year	4,166	-
	4,369	-
Costs charged to income statement	(185)	-
	4,184	-
At 31 December	4,184	-
Represented by:		
Development costs	4,369	-
Accumulated costs charged to income statement	(185)	-
	4,184	-

16. AMOUNT OWING BY CONTRACT CUSTOMERS

	The Group	
	2007	2006
	RM'000	RM'000
Contract costs incurred to date	996,409	938,876
Attributable profits	220,341	219,106
	1,216,750	1,157,982
Progress billings	(1,200,089)	(1,154,445)
	16,661	3,537
Amount owing by contract customers	16,661	3,537
	44,409	65,197
Contract costs recognised as an expense	44,409	65,197

Notes to the financial statements

For the financial year ended 31 December 2007

16. AMOUNT OWING BY CONTRACT CUSTOMERS (CONT'D)

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

	2007 RM'000	2006 RM'000
Depreciation of property, plant and equipment	654	-
Hire of motor vehicles	11	-
Hire of plant and machinery	3,791	4,669
Rental expense	351	365
Staff costs	4,401	2,173

17. TRADE RECEIVABLES

	The Group	
	2007 RM'000	2006 RM'000
Trade receivables	218,290	207,961
Allowance for doubtful debts	(3,605)	(3,734)
	214,685	204,227
Allowance for doubtful debts:-		
At 1 January	3,734	3,493
Additions for the financial year	32	1,390
Writeback for the financial year	(33)	(1,149)
Written off during the financial year	(128)	-
At 31 December	3,605	3,734

Trade receivables includes an amount owing by C & H Engineering Construction Sdn. Bhd. ("C&H"), amounting to RM475,057 (2006 - RM558,654). C&H 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 terms range from 30 to 90 days. Other credit terms are assessed and approved on a case by case basis.

The foreign currency exposure profile of trade receivables at the balance sheet date was as follows:-

	The Group	
	2007 RM'000	2006 RM'000
Euro	4,588	-
United States Dollar	452	10,628

Notes to the financial statements

PROTASCO BERHAD 548078-H

For the financial year ended 31 December 2007

18. OTHER RECEIVABLES

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Other receivables	17,704	9,487	5	5
Allowance for doubtful debts	(718)	(718)	-	-
	16,986	8,769	5	5

The foreign currency exposure profile of other receivables at the balance sheet date was as follows:-

	The Group	
	2007 RM'000	2006 RM'000
Chinese Renminbi	1,411	16
Euro	3,005	-
Libyan Dinar	98	-
South African Rand	444	-
United States Dollar	-	1,141

19. AMOUNT OWING BY/(TO) SUBSIDIARIES

The amounts owing are non-trade in nature, unsecured, interest-free and have no fixed terms of repayment. The amounts owing are to be settled in cash.

20. AMOUNT OWING BY ASSOCIATES

	The Group	
	2007 RM'000	2006 RM'000
Trade balances	2,941	3,328
Non-trade balances	2,522	522
	5,463	3,850

The normal trade credit terms range from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis. The amount owing is unsecured and is to be settled by cash.

The non-trade amounts owing are unsecured, interest-free and have no fixed terms of repayment. The amounts owing are to be settled in cash.

Notes to the financial statements

For the financial year ended 31 December 2007

20. AMOUNT OWING BY ASSOCIATES (CONT'D)

The foreign currency exposure profile of the amount owing by associates at the balance sheet date was as follows:-

	The Group	
	2007 RM'000	2006 RM'000
Libyan Dinar	2,941	3,327
South African Rand	2,000	-

21. SHORT-TERM INVESTMENTS

	The Group	
	2007 RM'000	2006 RM'000
Unit trust, quoted in Malaysia, at cost	7,301	11,498
Market value of quoted unit trusts	7,301	11,498

22. DEPOSITS WITH LICENSED BANKS

Deposits with licensed banks of the Group amounting to RM9,999,585 (2006 - RM9,956,000) are pledged to banks for credit facilities granted to subsidiaries.

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

	The Group		The Company	
	2007 %	2006 %	2007 %	2006 %
	2.6 to 3.9	2.2 to 3.7	3.2	3.2

The maturity period of deposits as at the end of the financial year were as follows:-

	The Group		The Company	
	2007	2006	2007	2006
Days	1 to 360	1 to 360	1	3

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For the financial year ended 31 December 2007

22. DEPOSITS WITH LICENSED BANKS (CONT'D)

The foreign currency exposure profile of deposits with licensed banks at the balance sheet date was as follows:-

	The Group	
	2007 RM'000	2006 RM'000
Australian Dollar	348	-
Papua New Guinea Kina	60	-

23. CASH AND BANK BALANCES

The foreign currency exposure profile of cash and bank balances was as follows:-

	The Group	
	2007 RM'000	2006 RM'000
Australian Dollar	2,681	-
Chinese Renminbi	2,181	-
Euro	11	6
Libyan Dinar	349	890
Papua New Guinea Kina	634	178
South African Rand	450	-
United States Dollar	43	332

24. SHARE CAPITAL

	The Group/The Company			
	2007 Number Of Shares '000	2006 '000	2007 RM'000	2006 RM'000
Ordinary Shares Of RM0.50 Each:-				
Authorised	600,000	600,000	300,000	300,000
Issued And Fully Paid-Up	300,000	300,000	150,000	150,000

25. TREASURY SHARES

The amount relates to the acquisition cost of treasury shares net of the proceeds received on their subsequent sale or issuance.

At the annual general meeting held on 20 June 2007, the shareholders of the Company approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company purchased its own ordinary shares from the open market under the share buy-back programme. Details are as follows:-

Date	Price Per Share			Number Of Shares	Total Consideration RM'000
	Lowest RM	Highest RM	Average RM		
Balance at 1 January 2007	-	-	-	900,000	705
January 2007	0.905	0.950	0.9275	497,200	470
February 2007	1.100	1.100	1.1000	2,800	3
August 2007	0.825	0.950	0.8875	21,000	19
November 2007	0.991	1.000	0.9955	120,000	120
At 31 December 2007				1,541,000	1,317

The total shares purchased under the share buy-back programme were financed by internally generated funds. The shares purchased were retained as treasury shares and are presented as a deduction from shareholders' equity.

26. FOREIGN EXCHANGE TRANSLATION RESERVE

The exchange fluctuation reserve arose from the translation of the financial statements of foreign subsidiaries, foreign associates and foreign branch and is not distributable by way of dividends.

27. RETAINED PROFITS

Subject to agreement with the tax authorities,

- the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax-exempt income to frank the payment of dividends out of its entire retained profits at the balance sheet date without incurring additional tax liabilities; and
- the Company has available tax-exempt income to frank the payment of tax-free dividends amounting to approximately RM400,000 (2006 - RM400,000) at the balance sheet date.

Notes to the financial statements

PROTASCO BERHAD 548078-H

For the financial year ended 31 December 2007

28. DEFERRED TAX LIABILITIES

	The Group	
	2007	2006
	RM'000	RM'000
At 1 January	7,588	8,064
Recognised in income statement (Note 40)	28	(476)
	7,616	7,588
Presented after appropriate offsetting as follows:-		
Deferred tax liabilities:-		
Accelerated capital allowances	4,942	4,729
Fair value adjustment	3,531	3,531
	8,473	8,260
Deferred tax assets:-		
Unutilised capital allowances	(190)	-
Provisions	(667)	(672)
	(857)	(672)
	7,616	7,588

Deferred tax assets have not been recognised in respect of the following items:-

	The Group	
	2007	2006
	RM'000	RM'000
Unutilised tax losses	4,985	2,656
Unabsorbed capital allowances	-	6,109
Allowances for doubtful debts	-	1,329
	4,985	10,094

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries and of the Company are not subject to substantial changes in shareholdings of those subsidiaries and the Company under Section 44 (5A) and (5B) of Income Tax Act, 1967.

Notes to the financial statements

For the financial year ended 31 December 2007

29. LONG-TERM BORROWING

	The Group	
	2007	2006
	RM'000	RM'000
Secured:		
Hire purchase payables (Note 31)	592	357

30. TERM LOANS

	The Group	
	2007	2006
	RM'000	RM'000
Current portion:		
- repayable within one year (Note 34)	-	38
Non-current portion:-		
- repayable between one and two years	-	-
- repayable between two and five years	-	-
Total non-current portion	-	-
	-	38

In the previous financial year, the term loans of the Group bore a weighted average effective interest rate of 4.2% per annum at the balance sheet date and are secured by way of:-

- (a) a first legal charge over certain property, plant and equipment of certain subsidiaries; and
- (b) a corporate guarantee of the Company.

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31. HIRE PURCHASE PAYABLES

	The Group	
	2007	2006
	RM'000	RM'000
Minimum lease payments:		
- not later than one year	441	394
- later than one year but not later than five years	651	392
	1,092	786
Less: Future finance charges	(104)	(80)
Present value of hire purchase payables	988	706
The net hire purchase payables are repayable as follows:-		
- not later than one year (Note 34)	396	349
- later than one year but not later than five years (Note 29)	592	357
	988	706

The hire purchase payables of the Group bore an effective interest of 2.3% to 6.2% (2006 - 2.9% to 6.0%) per annum at the balance sheet date.

32. TRADE PAYABLES

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

The foreign currency exposure profile of trade payables at the balance sheet date was as follows:-

	The Group	
	2007	2006
	RM'000	RM'000
Euro	-	46
Libyan Dinar	75	-

Notes to the financial statements

For the financial year ended 31 December 2007

33. OTHER PAYABLES

The foreign currency exposure profile of other payables at the balance sheet date was as follows:-

	The Group	
	2007 RM'000	2006 RM'000
Chinese Renminbi	125	144
Euro	86	-
Libyan Dinar	32	7
South African Rand	25	-
United States Dollar	-	94

34. SHORT-TERM BORROWINGS

	The Group	
	2007 RM'000	2006 RM'000
Secured:		
Bankers' acceptances	3,360	-
Revolving credit	9,306	5,000
Term loans (Note 30)	-	38
Hire purchase payables (Note 31)	396	349
	13,062	5,387

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

	The Group	
	2007 %	2006 %
Bankers' acceptances	4.5	-
Revolving credit	5.6	5.6

The bankers' acceptances and revolving credit of the Group are secured by way of:-

- (a) a corporate guarantee of the Company; and
- (b) fixed and floating charges on certain property, plant and equipment as disclosed in Note 8.

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35. BANK OVERDRAFTS

The bank overdrafts bore effective interest rates range from 7.7% to 8.3% per annum at the balance sheet date and were secured by way of a corporate guarantee of the Company.

36. REVENUE

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

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Gross dividends from subsidiaries	-	-	32,728	29,167
Management fees from subsidiaries	-	-	2,250	2,250
Construction and maintenance contracts	270,739	322,829	-	-
Sale of goods	126,770	128,426	-	-
Education and training fees	41,183	26,682	-	-
Engineering services	58,490	52,474	-	-
Others	9,143	7,967	-	-
	506,325	538,378	34,978	31,417

37. COST OF SALES

	The Group	
	2007 RM'000	2006 RM'000
Construction and maintenance contracts	176,738	187,185
Sale of goods	133,057	156,197
Education and training fees	23,743	15,356
Engineering services	23,696	23,983
Others	266	1,325
	357,500	384,046

Notes to the financial statements

For the financial year ended 31 December 2007

38. PROFIT BEFORE TAXATION

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Profit before taxation is arrived at after charging/(crediting):-				
Allowance for doubtful debts	32	1,390	-	-
Amortisation of development cost	560	560	-	-
Amortisation of prepaid land lease payments	72	71	-	-
Audit fee:				
- statutory audit				
- current year	223	211	15	12
- underprovision in the previous financial year	8	5	-	2
- others	10	56	10	5
Bad debts written off	410	6	-	-
Depreciation of property, plant and equipment	16,711	17,467	-	-
Directors' benefits-in-kind	63	63	-	-
Directors' fee	72	50	72	50
Director's non-fee emoluments	1,784	1,782	1,784	1,782
Impairment of investment in associate	-	700	-	-
Net foreign exchange loss:-				
- unrealised	70	1,707	-	-
- realised	108	-	-	-
Interest expense:				
- bank overdrafts	70	35	-	-
- hire purchase	55	161	-	-
- term loans	7	17	-	-
- bankers' acceptances	121	-	-	-
- revolving credit	279	203	-	-
Rental of:				
- office premises	1,251	850	-	-
- plant and machinery	80	90	-	-
- motor vehicles	233	100	-	-
- office equipment	557	400	-	-
- others	78	3	-	-
Staff costs	51,196	47,539	535	700
Gain on disposal of property, plant and equipment	(1,430)	(608)	-	-
Interest income	(1,803)	(2,353)	(102)	(123)
Tax exempt dividends received from investment in unit trusts	(278)	(400)	-	-
Rental income	(295)	(490)	-	-
Writeback of allowance for doubtful debts	(33)	(1,149)	-	-
Waiver of debts	(9)	-	-	-

Notes to the financial statements

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For the financial year ended 31 December 2007

39. DIRECTORS' REMUNERATION

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Directors of the Company				
Executive directors' remuneration				
- Other emoluments	1,774	1,768	1,774	1,768
Non-executive directors' remuneration				
- Fees	72	50	72	50
- Other emoluments	10	14	10	14
	82	64	82	64
Total directors' remuneration	1,856	1,832	1,856	1,832
Estimated money value benefits-in-kind	63	63	-	-
Total directors' remuneration including benefits-in-kind	1,919	1,895	1,856	1,832

The details of remuneration receivable by directors of the Company during the financial year are as follows:-

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Executive:				
Salaries and emoluments	1,267	1,267	1,267	1,267
Bonus	317	312	317	312
Contributions to defined contribution plan	190	189	190	189
Estimated money value of benefits-in-kind	63	63	-	-
	1,837	1,831	1,774	1,768
Non-Executive:				
Fees	72	50	72	50
Other emoluments	10	14	10	14
	1,919	1,895	1,856	1,832

Notes to the financial statements

For the financial year ended 31 December 2007

39. DIRECTORS' REMUNERATION (CONT'D)

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is as analysed below:-

	Number Of Directors	
	2007	2006
	RM'000	RM'000
EXECUTIVE DIRECTORS:		
RM850,001 - RM900,000	2	2
NON-EXECUTIVE DIRECTORS:		
Below RM25,000	4	4

40. INCOME TAX EXPENSE

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
Charge for the financial year:				
- Malaysian taxation	19,622	26,848	8,730	8,171
- Overseas taxation	43	-	-	-
Overprovision in the previous financial year	(1,171)	(133)	(15)	-
	18,494	26,715	8,715	8,171
Deferred tax expense (Note 28):				
Relating to origination and reversal of temporary differences	24	(341)	-	-
Under/(Over)provision in the previous financial year	4	(135)	-	-
	28	(476)	-	-
	18,522	26,239	8,715	8,171

During the financial year, the statutory tax rate was reduced from 28% to 27% as announced in the Malaysian Budget 2007.

Notes to the financial statements

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For the financial year ended 31 December 2007

40. INCOME TAX EXPENSE (CONT'D)

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

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Profit before taxation	71,462	79,817	32,488	28,797
Tax at the statutory tax rate of 27% (2006 - 28%)	19,295	22,349	8,772	8,063
Tax effects of:				
Differential in tax rates	(294)	(238)	-	-
Deferred tax recognised at different tax rates	-	(98)	-	-
Exempt income due to pioneer status	(252)	-	-	-
Non-deductible expenses	1,956	3,903	45	5
Non-taxable income	(1,151)	(1,124)	-	(30)
Utilisation of previously unrecognised deferred tax assets	(922)	-	-	-
Deferred tax assets not recognised during the financial year	1,346	1,715	-	133
Overprovision of income tax in the previous financial year	(1,171)	(133)	(15)	-
Under/(Over)provision of deferred tax in the previous financial year	4	(135)	-	-
Others	(289)	-	(87)	-
Tax expense for the financial year	18,522	26,239	8,715	8,171

41. EARNINGS PER SHARE

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

	The Group	
	2007 RM'000	2006 RM'000
Net profit for the financial year (RM'000)	33,701	26,543
Weighted average number of ordinary share in issue ('000)	298,600	299,172
Basic earnings per share (sen)	11.3	8.9

The diluted earning per share is not applicable as there were no potential dilutive ordinary shares outstanding at the balance sheet date.

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For the financial year ended 31 December 2007

42. DIVIDENDS

	The Company	
	2007	2006
	RM'000	RM'000
Final dividend of 5.56 sen per ordinary share less 28% tax in respect of the financial year ended 31 December 2005	-	11,974
Interim dividend of 4.17 sen per ordinary share less 28% tax in respect of the financial year ended 31 December 2006	-	8,973
Final dividend of 5.48 sen per ordinary share less 27% tax in respect of the financial year ended 31 December 2006	11,945	-
Interim dividend of 5.48 sen per ordinary share less 27% tax in respect of the financial year ended 31 December 2007	11,940	-
	23,885	20,947

At the forthcoming Annual General Meeting, the directors recommend a final dividend in respect of the financial year ended 31 December 2007 of 5.41 sen per ordinary share less 26% tax amounting to approximately RM11,938,360 computed based on the issued and paid-up capital as at 31 December 2007 of 298,459,000 ordinary shares of RM0.50 each to be paid to shareholders whose names appear in the Record of Depositors on 30 June 2008. 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 2008.

43. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	The Group	
	2007	2006
	RM'000	RM'000
Cost of property, plant and equipment purchased	39,416	12,542
Amount financed through hire purchase	(700)	-
Cash disbursement for purchase of property, plant and equipment	38,716	12,542

Notes to the financial statements

PROTASCO BERHAD 548078-H

For the financial year ended 31 December 2007

44. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash and bank balances	18,747	28,650	289	140
Deposits with licensed banks	76,462	61,428	3,132	3,841
Bank overdrafts	(1,231)	-	-	-
	93,978	90,078	3,421	3,981

45. CAPITAL COMMITMENTS

	The Group	
	2007 RM'000	2006 RM'000
Capital Expenditure:		
Approved and contracted for	1,816	-
Approved but not contracted for	30,020	42,838
	31,836	42,838

46. CONTINGENT LIABILITIES

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unsecured:				
(a) Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	205,100	177,637	168,036	140,536
(b) Corporate guarantees given to suppliers for credit facilities granted to a subsidiary company	20,090	15,140	20,090	15,140
(c) Guarantee given by a subsidiary company to Government of Malaysia for the repayment of advance payment received	8,700	8,700	-	-
(d) Performance guarantee extended by subsidiaries to third parties	104,754	128,297	-	-

47. RELATED PARTY DISCLOSURE

(a) Identities of related parties

For the purpose of the financial statements of the Group and the Company, a party is considered related to the Group and the Company if:-

- (i) directly or indirectly, the party controls, is controlled by, or is under common control with the Group.
- (ii) the party is a member of the key management personnel of the Group and the Company; or
- (iii) the party is a close member of the family or any individual referred to in (i) or (ii) above.

The Group has a related party relationship with:-

- (i) its subsidiaries, as disclosed in Note 6 to the financial statements;
- (ii) its associates, as disclosed in Note 7 to the financial statements;
- (iii) the directors who are the key management personnel; and
- (iv) close members of the families of certain directors.

The details of the amounts owing by/to subsidiaries and associates are disclosed in Note 19 and Note 20, respectively.

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company carried out the following transactions with related parties during the year:

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Gross dividends from subsidiaries	-	-	32,728	29,167
Management fees from subsidiaries	-	-	2,250	2,250
Services rendered to:				
- 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	(250)	(286)	-	-
- Libyan Malaysian Company for Roads & Construction, an associate of HCM-Ikhtisas Sdn. Bhd.	(18,398)	(14,390)	-	-
Rental received from:				
- C&H Engineerings Consultants Sdn. Bhd.	(29)	(29)	-	-

Notes to the financial statements

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For the financial year ended 31 December 2007

47. RELATED PARTY DISCLOSURE (CONT'D)

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company carried out the following transactions with related parties during the year: (Cont'd):

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Sales to:				
- TH Technologies Sdn. Bhd.	-	(35)	-	-
- THT-HCM JV Sdn. Bhd.	(8)	(34)	-	-
Services rendered by:				
- Perunding Pertama	-	289	-	-
- C&H Engineerings Consultants Sdn. Bhd.	1,278	1,297	-	-

(c) Key management personnel compensation

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Short-term employee benefits	2,880	3,153	1,774	1,768

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.

48. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The following are the significant events involving the Group and the Company during the financial year:-

- On 15 May 2007, Hainan Protasco Engineering Co. Ltd (formerly known as Yangpu Hi-Pro Road Maintenance Co. Ltd., a wholly-owned subsidiary of Protasco Infra Sdn. Bhd. acquired 89.4% equity interest in Hainan Rifu Resources Co. Ltd., a company incorporated in the People's Republic of China, for a total cash consideration of RMB5,100,000 (RM2,322,336);
- On 12 June 2007, HCM Engineering Sdn. Bhd. ("HCM"), a wholly-owned subsidiary of the Company, subscribed for 2,997 ordinary shares of RM1 each of right issue in HCM-Molek JV Sdn. Bhd. for a cash consideration of RM2,997;
- On 29 June 2007, the Company acquired the remaining 40% of the equity interest in Ikram Paves Sdn. Bhd. ("Paves") for a cash consideration of RM256,000 thereby increasing the Company's equity interest in Paves to 100%;

48. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

- (d) On 2 July 2007, Infra Water Sdn. Bhd., a subsidiary of Protasco Infra Sdn. Bhd., acquired 51% equity interest in Enviw Resources Sdn. Bhd., a company incorporated in Malaysia, for a cash consideration of RM51,000;
- (e) On 8 August 2007, Protasco Land Sdn. Bhd., a wholly-owned subsidiary of the Company, has disposed of 30 ordinary shares of South African Rand1 each representing 30% of the issued and paid-up share of Protasco Land SA (Pty) Ltd for a consideration of South African Rand30;
- (f) On 21 August 2007, HCM, a wholly-owned subsidiary of the Company, acquired an additional 2,450 ordinary shares of RM1 each, representing 49% of the issued and paid-up share capital of HCM Engineering - Isyoda JV Sdn. Bhd. ("HCM Isyoda") for a cash consideration of RM11,260. The total number of shares held by the HCM after the acquisition would be 5,000 ordinary shares of RM1 each, representing 100% of the issued and paid-up capital of HCM Isyoda;
- (g) On 22 August 2007, HCM, a wholly-owned subsidiary of the Company, was being issued with 447,000 bonus issue of ordinary share of RM1 each fully paid-up in the capital of HCM-Molek JV Sdn. Bhd. ("HCM Molek"). The equity interest in HCM Molek after the bonus issue would be 60%;
- (h) On 20 December 2007, Protasco Trading Sdn. Bhd., a wholly-owned subsidiary of the Company, acquired 2 ordinary shares of RM1 each, representing 100% of the issued and paid-up share capital of Linktel Communication Sdn. Bhd, a company incorporated in Malaysia, for a cash consideration of RM2;
- (i) On 20 December 2007, Protasco Infra Sdn. Bhd., a wholly-owned subsidiary of the Company, acquired 2 ordinary shares of RM1 each, representing 100% of the issued and paid-up share capital of Ximax Communications Sdn. Bhd., a company incorporated in Malaysia, for a cash consideration of RM2; and
- (j) On 26 December 2007, HCM Engineering Sdn. Bhd., a wholly-owned subsidiary of the Company, acquired 7 ordinary shares of RM1 each, representing 70% of the issued and paid-up share capital of KPS-HCM Sdn. Bhd., a company incorporated in Malaysia, for a cash consideration of RM7.

49. SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On 28 January 2008, Ikram Latihan Sdn. Bhd. ("Ikram Latihan"), a wholly-owned subsidiary of Kumpulan Ikram Sdn. Bhd., acquired 1 ordinary share of RM1 each in Ikram Skills Academy Sdn. Bhd. ("Ikram Skills"), a company incorporated in Malaysia, for a cash consideration of RM1. Subsequently, on 1 February 2008, Ikram Latihan further acquired 76,499 ordinary shares in Ikram Skills, for a cash consideration of RM76,499. The equity interest would be 51%.

Notes to the financial statements

PROTASCO BERHAD 548078-H

For the financial year ended 31 December 2007

50. 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.

	Construction Contracts RM'000	Engineering Services RM'000	Training And Education RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidation RM'000
2007							
REVENUE							
External sales	270,739	58,490	41,183	126,770	9,143	-	506,325
Inter-segment sales	8,368	2,910	387	15,020	34,979	(61,664)	-
Total revenue	279,107	61,400	41,570	141,790	44,122	(61,664)	506,325

Notes to the financial statements

For the financial year ended 31 December 2007

50. SEGMENTAL INFORMATION (CONT'D)

	Construction Contracts RM'000	Engineering Services RM'000	Training And Education RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidation RM'000
RESULTS							
Segment results	46,117	7,068	4,621	6,399	40,107	(32,271)	72,041
Amortisation of reserve on consolidation							-
Profit from operations							72,041
Finance costs							(588)
Share of results of associates	9	-	-	-	-	-	9
Income tax expense							(18,522)
Profit after taxation							52,940
Minority interests							(19,239)
Net profit for the financial year							33,701
ASSETS							
Segment assets	295,732	191,678	28,550	30,809	4,971		551,740
Investment in associates	2,110	-	-	-	-		2,110
Unallocated corporate assets							6,914
Consolidated total asset							560,764
LIABILITIES							
Segment liabilities	111,377	38,534	18,316	17,556	11,459		197,242
Unallocated corporate liabilities							11,589
Consolidated total liabilities							208,831
OTHER INFORMATION							
Capital expenditure	33,081	3,185	6,318	21	11		42,616
Depreciation and amortisation	12,638	3,797	1,327	194	41		17,997

Notes to the financial statements

PROTASCO BERHAD 548078-H

For the financial year ended 31 December 2007

50. SEGMENTAL INFORMATION (CONT'D)

	Construction Contracts RM'000	Engineering Services RM'000	Training And Education RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidation RM'000
2006							
REVENUE							
External sales	322,829	52,474	26,682	128,426	7,967	-	538,378
Inter-segment sales	162	3,444	762	34,269	31,417	(70,054)	-
Total revenue	322,991	55,918	27,444	162,695	39,384	(70,054)	538,378
RESULTS							
Segment results	64,000	6,112	1,572	5,027	33,670	(29,256)	81,125
Negative goodwill written off	-	-	-	-	28	-	28
Impairment of investment in associate	(700)	-	-	-	-	-	(700)
Profit from operations							80,453
Finance costs							(529)
Share of results of associates	(107)	-	-	-	-	-	(107)
Income tax expense							(26,239)
Profit after taxation							53,578
Minority interests							(27,035)
Net profit for the financial year							26,543
ASSETS							
Segment assets	250,372	188,619	15,642	30,639	7,790		493,062
Investment in associates	2,211	-	-	-	-		2,211
Unallocated corporate assets							3,425
Consolidated total asset							498,698

Notes to the financial statements

For the financial year ended 31 December 2007

50. SEGMENTAL INFORMATION (CONT'D)

	Construction Contracts RM'000	Engineering Services RM'000	Training And Education RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidation RM'000
2006							
LIABILITIES							
Segment liabilities	64,117	28,595	10,898	22,151	371		126,132
Unallocated corporate liabilities							17,669
Consolidated total liabilities							<u>143,801</u>
OTHER INFORMATION							
Capital expenditure	10,079	1,652	2,223	554	212		14,720
Depreciation and amortisation	12,398	4,322	1,035	304	39		18,098

51. FOREIGN EXCHANGE RATES

The applicable closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of the foreign currency balances at the balance sheet date are as follows:-

	The Group	
	2007 RM	2006 RM
Australian Dollar	2.88	2.78
Chinese Renminbi	0.46	0.45
Euro	4.88	4.64
Libyan Dinar	2.72	2.77
Papua New Guinea Kina	1.20	1.20
South African Rand	0.49	0.50
United States Dollar	3.28	3.53

Notes to the financial statements

PROTASCO BERHAD 548078-H

For the financial year ended 31 December 2007

52. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The following methods and assumptions are used to estimate the fair value of each class of financial assets and liabilities of the Group and of the Company:-

(a) Investment in Associates And Other Investments

It is not practicable to determine the fair values because of the lack of quoted market prices and the assumptions used in valuation models to value these investments cannot be reasonably determined.

(b) Quoted Investments

The fair values of quoted investments are estimated based on quoted market prices for these investments.

(c) Amounts Owning By/(To) Subsidiaries/Associates

It is not practicable to estimate the fair values of the amounts owing by/(to) the subsidiaries/the associates due principally to the lack of fixed repayment terms. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

(d) Cash and Cash Equivalents/Receivables/Payables

The carrying amounts approximated their fair values due to the relatively short-term maturity of these instruments.

(e) Hire Purchase Payables

The carrying amounts approximated the fair values of these instruments. The fair value of hire purchase payables is determined by discounting the relevant cash flows using the current interest rates at the balance sheet date.

(f) Long-term Borrowings

The carrying amounts approximated their fair values as these instruments bear interest at variable rates.

52. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

(g) Contingent Liabilities

The nominal amount and net fair value of financial instruments not recognised in the balance sheets of the Group and of the Company are as follows:

	Note	The Group		The Company	
		Nominal Amount RM'000	Net Fair Value RM'000	Nominal Amount RM'000	Net Fair Value RM'000
At 31 December 007					
Contingent liabilities	46	338,644	*	188,126	*
At 31 December 2006					
Contingent liabilities	46	329,774	*	155,676	*

* The net fair value of the contingent liability is estimated to be minimal as the subsidiaries are expected to fulfill their obligations to repay their borrowings.

53. EFFECTS ARISING FROM THE ADOPTION OF NEW AND REVISED FRS

The following opening balances have been restated as a result of adopting the new and revised FRS:-

	As Previously Reported RM'000	Effects Of FRS 117 RM'000	As Restated RM'000
THE GROUP			
BALANCE SHEET (EXTRACT):-			
Property, plant and equipment	167,534	(2,867)	164,667
Investment property	695	(695)	-
Prepaid land lease payments	-	3,562	3,562

Prior to 1 January 2007, leasehold land was classified under property, plant and equipment and was stated at cost less accumulated amortisation and accumulated impairment losses, if any. Upon adoption of the revised FRS 117, the unamortised amount of leasehold interest in the land is retained as the surrogate carrying amount of the prepaid land lease payments as allowed by the revised FRS 117.

Notes to the financial statements

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For the financial year ended 31 December 2007

54. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with the presentation of the current financial year:-

	The Group		The Company	
	As Restated RM'000	As Previously Reported RM'000	As Restated RM'000	As Previously Reported RM'000
BALANCE SHEETS (EXTRACT):-				
Land held for property development	203	-	-	-
Development cost	1,913	-	-	-
Goodwill on consolidation	8	-	-	-
Long-term investments	416	424	-	-
Amount owing by contract customers	3,537	-	-	-
Trade receivables	204,227	216,389	-	-
Other receivables	8,769	6,110	5	-
Amount owing by subsidiaries	-	-	59,999	59,749
Amount owing to subsidiaries	-	-	250	-
Amount owing by associates	3,850	-	-	-
Deposits with licensed banks	61,428	-	3,841	-
Cash and bank balances	28,650	90,078	140	3,982
INCOME STATEMENTS (EXTRACT):-				
Selling and marketing expenses	-	48	-	-
Administrative expenses	11,226	45,999	171	2,743
Other expenses	68,183	33,362	2,572	-
CASH FLOW STATEMENTS (EXTRACT):-				
Decrease in amount owing by contract customers	1,649	-	-	-
Increase in trade and other receivables	(33,695)	(35,896)	-	-
Increase in amount owing by associates	(3,850)	-	-	-

List of properties

No	Location	Description/ Existing Use	Age of Buildings	Tenure	Approx. Land Area sq. ft.	Net Book Value at 31.12.2007 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 6 - 25 years	Freehold	4,356 million	108,445	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	10 years	Freehold	9,558	725	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	12 years	Freehold	2,799	842	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	24 years	Leasehold 99 years expiring in 2076	1,760	796	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	24 years	Leasehold 99 years expiring in 2076	1,760	666	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	24 years	Leasehold 99 years expiring in 2076	1,760	666	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	24 years	Leasehold 99 years expiring in 2076	1,760	666	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	24 years	Leasehold 99 years expiring in 2076	2,208	933	11.06.02#
9	HS (M) 39751, Lot No. P.T. 47478, Mukim Kuala Kuantan, Daerah Kuantan, Pahang.	Two-storey semi-detached factory	11 years	Leasehold 66 years expiring in 2063	4,500	276	10.12.01#
10	Country Lease No. 075356580, Sungai Tinosan, Sandakan, Sabah.	Land for future development	N/A	Leasehold 99 years expiring in 2074	291,850	684	10.03.05#
11	HS (M) 1156, Blok 7, Mukim of Dengkil, District of Sepang, State of Selangor Darul Ehsan.	Workshop	2 years	Leasehold 99 years expiring in 2080	126,300	1,836	05.08.05#

Analysis of shareholdings

PROTASCO BERHAD 548078-H

As At 18 April 2008

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	83	0	3,992	0	0.00	0.00
100 - 1,000	605	0	550,886	0	0.19	0.00
1,001 - 10,000	2001	27	9,564,713	152,900	3.22	0.05
10,001 - 100,000	776	17	24,763,794	770,000	8.33	0.26
100,001 - 14,855,399*	147	13	69,373,130	5,876,400	23.35	1.98
14,855,400 and above**	6	0	186,052,185	0	62.62	0.00
TOTAL	3,618	57	290,308,700	6,799,300	97.71	2.29

	No. of Holders	No. of Holdings	% of Holdings
GRAND TOTAL	3,675	297,108,000***	100.00

Remarks : * Less than 5% of issued holdings
 ** 5% and above of issued holdings
 *** Excluding 2,892,000 treasury shares

SUBSTANTIAL SHAREHOLDERS

Name	Direct Holdings		Indirect Holdings	
	No. of Shares	%	No. of Shares	%
Dato' Hasnur Rabiain bin Ismail	39,139,193	13.17	52,201,720 ⁽¹⁾	17.57
Dato' Chong Ket Pen	39,724,693	13.37	22,964,074 ⁽²⁾	7.73
Yap Onn Neo	33,054,701	11.13	22,964,074 ⁽²⁾	7.73
Dream Cruiser Sdn Bhd	29,237,646	9.84	-	-
Max-Three Sdn Bhd	22,964,074	7.73	-	-
Lembaga Tabung Haji	24,923,300	8.39	-	-

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	39,139,193	13.17
Dato' Chong Ket Pen	39,724,693	13.37
Dato' Dr Norraesah Binti Haji Mohamad	-	-
Datin Normah Binti Kassim	90,000	0.03
Datin Azliza Binti Ahmad Tajuddin	149,500	0.05
Benny Soh Seow Leng	150,000	0.05
TOTAL	79,253,386	26.67

List of top 30 shareholders*

As At 18 April 2008

NO.	NAME	HOLDINGS	%
1.	CHONG KET PEN	39,724,693	13.37
2.	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>BC TRUSTEE ADVISORY FOR HASNUR RABIAIN BIN ISMAIL (PB)</i>	38,903,193	13.09
3.	YAP OON NEO	30,821,579	10.37
4.	DREAM CRUISER SDN BHD	29,237,646	9.84
5.	LEMBAGA TABUNG HAJI	24,401,000	8.21
6.	MAX-THREE SDN BHD	22,964,074	7.73
7.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PHEIM ASSETS MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND</i>	9,197,726	3.10
8.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 2)</i>	4,010,300	1.35
9.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (NON PAR 1)</i>	3,500,000	1.18
10.	LAU YEET MEI	2,175,385	0.73
11.	YAP OON NEO	1,980,622	0.67
12.	CITIGROUP NOMINEES (ASING) SDN BHD <i>GSCO FOR HOLIDAY EDWARD RICHARD</i>	1,779,200	0.60
13.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)</i>	1,686,100	0.57
14.	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (MALAYSIA) TRUSTEE BERHAD FOR AMANAH SAHAM SARAWAK</i>	1,500,000	0.50
15.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (DR)</i>	1,427,300	0.48
16.	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR MAAKL AL-FAUZAN (5170)</i>	1,400,000	0.47
17.	LAU YEET MEI	1,391,758	0.47
18.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD <i>ALLIANCE OPTIMAL INCOME FUND</i>	1,390,000	0.47
19.	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>MAYBAN TRUSTEES BERHAD FOR MAAKL VALUE FUND (950290)</i>	1,095,100	0.37
20.	CHANG NYOK LIAN	1,074,756	0.36

List of top 30 shareholders*

PROTASCO BERHAD 548078-H

NO.	NAME	HOLDINGS	%
21.	ADVENT MERIDIAN SDN BHD	926,000	0.31
22.	LIANG WAI MIN	900,096	0.30
23.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LPF)	890,000	0.30
24.	CARTABAN NOMINEES (TEMPATAN) SDN BHD MALAYSIAN ASSURANCE ALLIANCE BHD FOR ANNUITY PAR (1/185-6)	862,200	0.29
25.	HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (LIFE PAR)	831,000	0.28
26.	TAN JUN LI	800,000	0.27
27.	HLG NOMINEE (ASING) SDN BHD LIM & TAN SECURITIES PTE LTD FOR YONG MA TERESA ALAVA	775,000	0.26
28.	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN LIFE ASSURANCE BERHAD (PREM EQUITY FD)	763,200	0.26
29.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MAAKL DIVIDEND FUND (5311-401)	750,000	0.25
30.	IBRAHIM BIN WEL	744,896	0.25
	TOTAL	227,902,824	76.71

* Without aggregating securities from different securities accounts belonging to the same person.

Notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Seventh 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 Friday, 20 June 2008 at 10.00 a.m. to transact the following businesses: -

AGENDA

As Ordinary Business :-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2007 and the Reports of Directors and Auditors thereon.
(Resolution 1)
2. To approve a final dividend of 10.82% less 26% taxation for the financial year ended 31 December 2007.
(Resolution 2)
3. To re-elect the following Directors retiring in accordance with Article 70 of the Company's Articles of Association:-
 - (i) Dato' Dr. Norraesah binti Haji Mohamad
(Resolution 3)
 - (ii) Benny Soh Seow Leng
(Resolution 4)
4. To re-appoint Messrs Horwath as Auditors of the Company and authorise the Directors to determine their remuneration.
(Resolution 5)

As Special Business :-

To consider and if thought fit, to pass the following Resolutions, with or without modifications: -

5. ORDINARY RESOLUTION - AUTHORITY TO ISSUE SHARES

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approvals of the relevant authorities, the Directors be empowered 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 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 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."

(Resolution 6)

6. ORDINARY RESOLUTION - PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"THAT pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries ("PB Group") be authorised to enter into and give effect to the Recurrent Transactions with the related parties, as detailed in Part A, Section 1.3 of the Circular to Shareholders dated 28 May 2008 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.

Notice of annual general meeting

PROTASCO BERHAD 548078-H

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 Companies Act 1965 (“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 THAT the Directors be 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.”

(Resolution 7)

7. ORDINARY RESOLUTION - PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

“THAT subject to the Companies Act, 1965 (“the Act”), the Company’s Memorandum and Articles of Association and the requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and any other relevant authorities, the Directors of the Company be 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 2007, the audited retained profits and share premium accounts of the Company stood at RM131.6 million and RM43.5 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 authorised to take all such steps as are necessary and enter 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, 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.”

(Resolution 8)

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

Notice of annual general meeting

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT a final dividend of 10.82% less 26% taxation for the financial year ended 31 December 2007, if approved by shareholders, will be payable on 8 July 2008 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 30 June 2008.

A Depositor shall qualify for entitlement only in respect of:-

- a. shares transferred to the Depositor's Securities Account before 4.00 p.m. on 30 June 2008. 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 HOUI LING
SEOW FEI SAN
Secretaries

Selangor Darul Ehsan
28 May 2008

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 Seventh 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 Seventh Annual General Meeting or any adjournment thereof.
6. Explanatory notes on Special Business:

Resolution 6 – The proposed Resolution 6, 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 authorities 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.

Resolution 7 – The proposed Resolution 7, if passed, will allow the 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 28 May 2008, which is despatched together with the Company's Annual Report 2007.

Resolution 8 – The proposed Resolution 8, 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 utilizing 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 28 May 2008, which is despatched together with Company's Annual Report 2007.

Statement accompanying the notice of annual general meeting

PROTASCO BERHAD 548078-H

DIRECTORS STANDING FOR RE-ELECTION

Names of Directors who are standing for re-election pursuant to Article 70 of the Articles of Association of the Company:

- (i) Dato' Dr. Norraesah binti Haji Mohamad
- (ii) Benny Soh Seow Leng

Further details of the above Directors are set out in the Directors' Profile on page 6 and 7 of the Annual Report.

BOARD MEETINGS

There were five (5) Board Meetings held during the financial year ended 31 December 2007. The meetings were held at Taman Ilmu Ikram (Ikram Park), Jalan Serdang-Kajang, 43000 Kajang, Selangor Darul Ehsan and the attendance of the directors is set out on page 21 of the Annual Report.

PLACE, DATE AND TIME OF THE SEVENTH ANNUAL GENERAL MEETING

The Seventh 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 Friday, 20 June 2008 at 10.00 a.m.

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 Seventh 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 Friday, 20 June 2008 at 10.00 a.m. and at any adjournment thereof.

NO	RESOLUTIONS	FOR	AGAINST
1	To receive the Audited Financial Statements for the year ended 31 December 2007 and the Reports of the Directors and Auditors thereon.		
2	To approve a final dividend of 10.82% less 26% taxation for the financial year ended 31 December 2007.		
3	To re-elect Dato' Dr Norraesah Binti Haji Mohamad who is retiring pursuant to Article 70 of the Company's Articles of Association.		
4	To re-elect Benny Soh Seow Leng who is retiring pursuant to Article 70 of the Company's Articles of Association.		
5	To re-appoint Messrs Horwarth as Auditors of the Company and authorise the Directors to fix their remuneration.		
6	Authority to Issue Shares.		
7	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue nature.		
8	Proposed Renewal of Share Buy-back Authority.		

Please indicate with a "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 _____, 2008

Number of shares held _____

Signature of Shareholder or Common Seal

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 Seventh 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 Seventh Annual General Meeting or any adjournment thereof.



PLEASE FOLD HERE

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
Malaysia

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