

# 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

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A wide-angle photograph of a multi-lane highway during sunset. The sky is filled with warm, golden light and scattered clouds. Several cars and motorcycles are visible on the road, moving away from the viewer. Tall streetlights line the highway, and a concrete barrier runs along the edge of the road. The overall atmosphere is serene and modern.

# One-stop integrated infrastructure solutions provider

Over the years, Protasco Group has developed into a one-stop integrated infrastructure solutions provider, participating in various infrastructure works towards nation building.

The Group is a diversified entity with expertise in road construction, rehabilitation, upgrading and maintenance, building construction and project management, engineering services and consultancy, education and training and trading of construction related materials. Having established its presence in Malaysia, Protasco is set to leverage on its resources and expertise to carve a niche internationally.

# Corporate Information

## BOARD OF DIRECTORS

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

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

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

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

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

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

## COMPANY SECRETARIES

**Khor Hooi Ling** (MAICSA 7014879)  
**Seow Fei San** (MAICSA 7009732)

## REGISTERED OFFICE

312, 3rd Floor, Block C  
Kelana Square  
17, Jalan SS7/26  
47301 Petaling Jaya  
Selangor Darul Ehsan  
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](http://www.protasco.com.my)  
Email: [ccd@protasco.com.my](mailto: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

Ernst & Young  
Chartered Accountants  
Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Malaysia

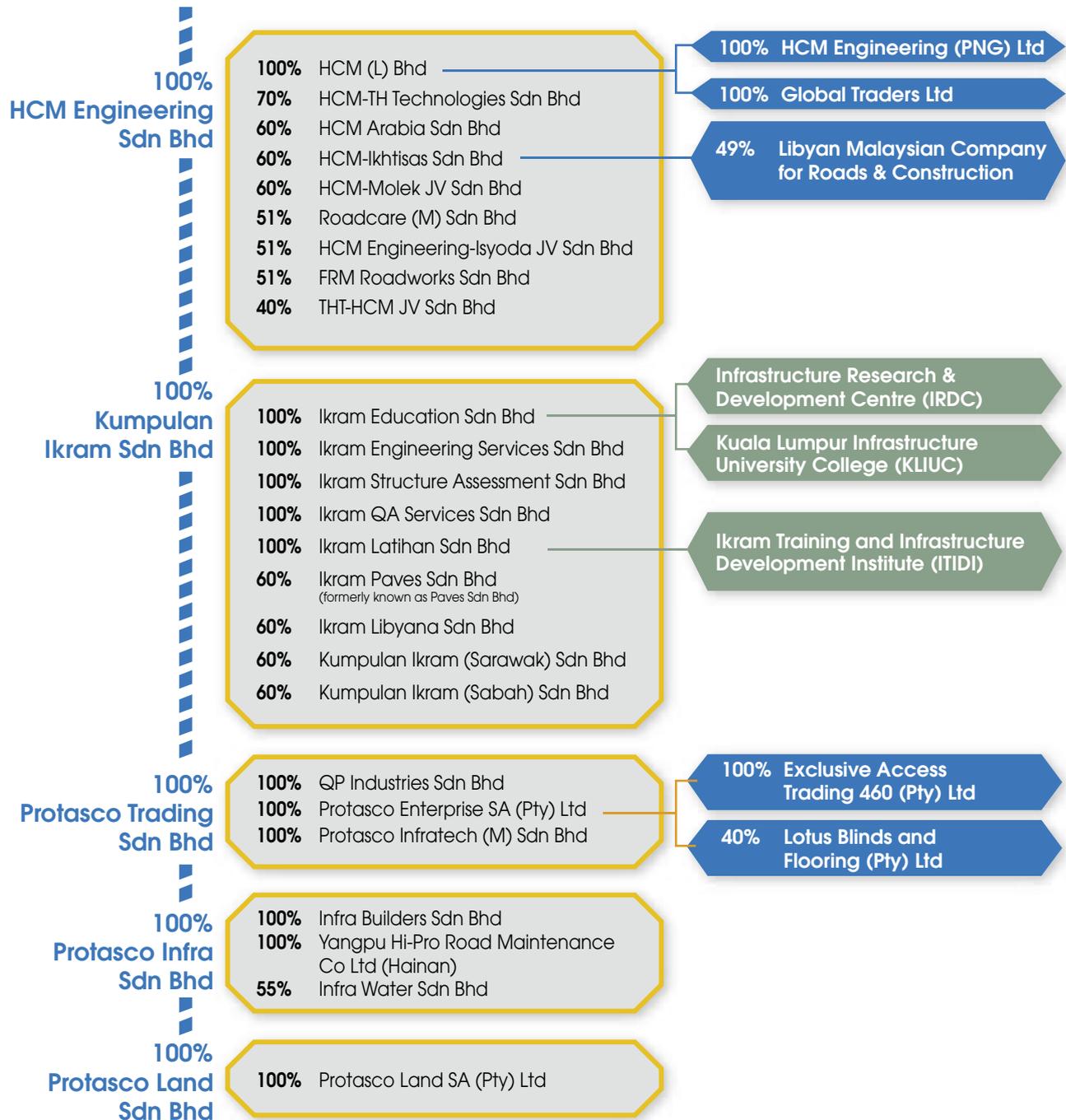
## STOCK EXCHANGE LISTING

Main Board  
Bursa Malaysia Securities Berhad

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

# Corporate Structure

## PROTASCO BERHAD



## Core Business Divisions



### Road Construction and Maintenance

Road related activities involve road construction, rehabilitation, upgrading, operations and maintenance. More than USD500 million worth of project works have been completed since 1993. In addition, we maintain not less than 6,600km of roads in Malaysia.



### Buildings and Specialised Construction

Building construction activities include bridge and building construction as well as project management. The Group via its associated company has managed more than 1,000 building projects worth about USD1 billion.



## Core Business Divisions



### 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.



### 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 almost 40,000 participants, including those from Africa, Asia and South East Asia. ITIDI programmes covers a wide range of technical, professional and management courses.



### 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.

# Group Financial Highlights

Year ended 31 December

	2002 <sup>#</sup> RM'000	2003 <sup>*</sup> RM'000	2004 RM'000	2005 RM'000	2006 RM'000
Turnover (RM '000)	715,609	744,920	582,446	520,273	538,378
Profit After Taxation and Minority Interests (PATAMI) (RM '000)	43,705	58,753	45,996	41,132	26,543 <sup>@</sup>
Earnings Per Share (sen)	14.57	19.58	15.33	13.73	8.87 <sup>@</sup>
Total Gross Dividends Per Share (sen)	-	7.16	8.75	8.75	9.65 <sup>**</sup>
Net Assets Per Share (RM)	0.86	1.06	1.11	1.14	1.19

Remarks:

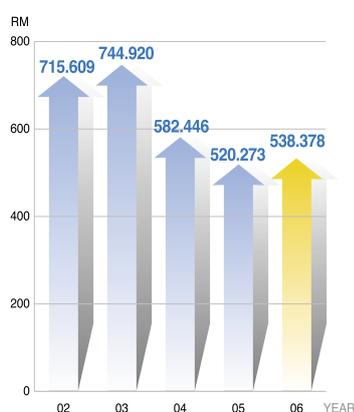
# Based on proforma consolidated results and balance sheets of Protasco Group as set out in the Prospectus dated 28 June 2003, with the assumption that Protasco Group had been in existence throughout the years under review.

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

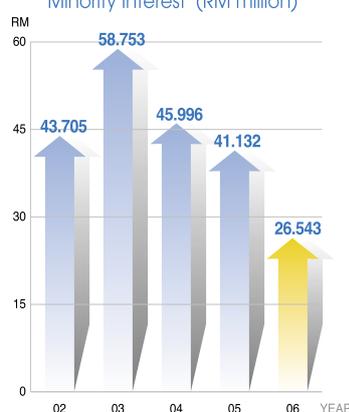
@ Earnings are lower due to the adoption of FRS 3 (Business Combination), which has resulted in the Group ceasing the amortisation of Reserve on Consolidation of RM12.524 million per annum.

\*\* Including a final dividend in respect of the financial year ended 31 December 2006 of 10.96% less 27% tax (or approximately 4 sen net per share) which will be proposed for the shareholders' approval at the forthcoming Annual General Meeting.

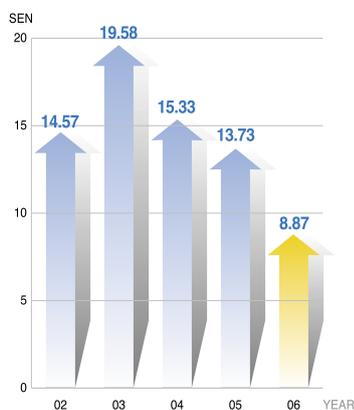
Turnover (RM million)



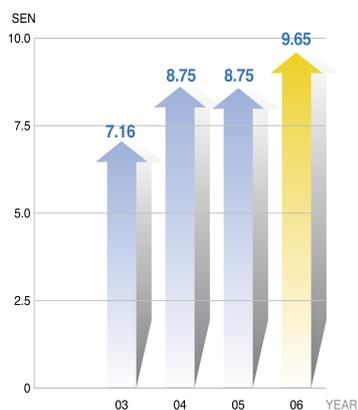
Profit After Taxation and  
Minority Interest (RM million)



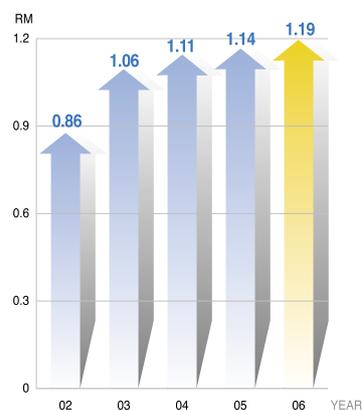
Earnings Per Share (Sen)



Dividends Per Share (Sen)



Net Assets Per Share (RM)





# SHIFTING GEARS

Building Towards  
Sustainable Growth

## Directors' Profile

### **DATO' HASNUR RABIAIN BIN ISMAIL** / Executive Chairman

Dato' Hasnur Rabiain Bin Ismail, 50, a Malaysian, 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 15 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 program with Samsung Construction, in Korea.

Subsequently he served as Senior Materials Engineer at the Design and Research Branch of JKR Headquarters. He was elevated to the position of Senior Engineer, Pavement Unit of the JKR's Institute of Training and Research (IKRAM) in 1988. He resigned from JKR in 1991 and formed his own company, HCM Engineering Sdn Bhd.

### **DATO' CHONG KET PEN** / Managing Director

Dato' Chong Ket Pen, 52, a Malaysian, is the Managing Director of Protasco Berhad. He was appointed as a board member of Protasco Berhad on 15 May 2001. As a co-founder of the Protasco Group, he is also one of the Audit Committee members of the Board. 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 when he worked with JKR Kelantan as Road Design Engineer cum Assistant Project Engineer. 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 left the JKR to set up the then Paves Sdn Bhd.

### **DATIN NORMAH BINTI KASSIM** / Independent Non-Executive Director

Datin Normah Binti Kassim, 50, a Malaysian, 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.

## Directors' Profile

### **DATO' DR NORRAESAH BINTI HAJI MOHAMAD** / Independent Non-Executive Director

Dato' Dr Norraesah Binti Haji Mohamad, 59, a Malaysian has been an Independent Non-Executive Director of Protasco since 18 January 2005. Besides having more than 30 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, until 2003.

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

### **AZLIZA BINTI AHMAD TAJUDDIN** / Independent Non-Executive Director

Azliza Binti Ahmad Tajuddin, 40, a Malaysian, 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.

### **BENNY SOH SEOW LENG** / Independent Non-Executive Director

Benny Soh Seow Leng, 36, a Malaysian, 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:

- |   |   |
|---|---|
| <p>(i) None of the directors has any family relationship with each other and with any substantial shareholders of the Company.</p> <p>(ii) None of the directors has any conviction for offences, other than traffic offences, within the past 10 years.</p> <p>(iii) Other than the related party transactions disclosed in Note 33 of the Financial Statements and the Circular to Shareholders dated 29 May 2007, none of the directors has conflict of interest with the Company.</p> | <p>(iv) Except for Dato' Hasnur Rabiain Ismail who had attended five (5) out of six (6) meetings, the other directors had attended all the Board Meetings held during the financial year ended 31 December 2006.</p> <p>(v) With the exception of Dato' Dr Norraesah binti Haji Mohamad, none of the directors holds any directorship in other public companies.</p> <p>(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.</p> |
|---|---|

## Executive Chairman's Statement

DEAR  
SHAREHOLDERS

Despite problems such as skyrocketing crude oil prices coupled with some moderation in the US economy, especially towards the later part of 2006, by and large global growth remained firm. For the fourth consecutive year, the global economy grew by more than 4%.



In particular, East Asia remained resilient, sustaining growth at a strong pace, with continued support from both external and domestic demand. Growth also benefited from expanding intraregional trade and higher commodity prices, especially in resource-rich countries, contributing to large current account surpluses.

Against these backdrop and a resilient national economy, Bank Negara Malaysia has estimated a 6% growth forecast for 2007, versus 5.9% GDP growth in 2006.

Better economic fundamentals are expected to drive the country's growth this year. Inflation is expected to fall to between 2 – 2.5% while fiscal deficit is expected to narrow further. From 5.3% of GDP in 2003, last year the latter shrunk to 3.5% of GDP.

Recently, the Government announced a series of incentives and investor-friendly measures. These include the Iskandar Development Region and incentives to spur the property sector. In addition, foreign exchange liberalisation measures have facilitated overseas investments. Among the beneficiaries were civil engineering companies which continued to secure projects abroad. They undertook highway, airport, hydropower plant and other projects, particularly in Asia and the Middle East.

Significantly, construction is expected to expand by 3% after contracting 0.5% in 2006. Indeed, the construction sector turned positive in the last quarter of last year after experiencing 10 quarters of negative growth previously.

In 2006, the Government announced higher Federal Government spending on infrastructure projects under the RM220 billion Ninth Malaysia Plan (9MP) (2006-2010), including RM20 billion under the Private Finance Initiative. The 17.6% rise in spending is mainly for the construction of highways, bridges, schools and water-related projects. Understandably, the civil engineering sub-sector gradually recovered, registering a positive growth by the final quarter of the year. In addition to the on-going projects, the Government announced 880 new projects totaling RM15 billion, with 425 of these projects to be financed through the Private Finance Initiative.

The consensus view thus far is that the construction sector is back on track particularly with the recent announcements of sizeable projects.

# Executive Chairman's Statement



## FINANCIAL PERFORMANCE

On the back of RM538.4 million turnover in 2006 as against RM520.3 million in 2005, Group net profit for the financial year ended 31 December 2006 was RM26.5 million, a decrease of RM14.6 million or 36% compared with RM41.1 million previously.

This was due primarily to the adoption of Financial Reporting Standard 3 on Business Combinations with effect from 1 January 2006 which resulted in the Group ceasing the amortisation of reserve on consolidation. The amount amortised for the previous year was RM12.524 million.

## REVIEW OF OPERATIONS

Protasco Group is principally engaged in construction, engineering services and consultancy, education, training and trading. Construction encompasses road construction, upgrading, rehabilitation and maintenance using pavement recycling technology and building construction. Engineering services and consultancy include site investigation, slope studies, pavement evaluation and data collection, traffic studies, geotechnical and structural forensic engineering services and research.

In the year under review, 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 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 Sibul, 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 include geotechnical, structural and material testing, site investigation and soil testing, pavement evaluation, materials certification, product listing, training and research & development activities.

## Executive Chairman's Statement

Other than the concessions, we secured a major road rehabilitation and upgrading project in Kedah in the final quarter of 2006. The Group also made further headway in Libya in relation to two road projects.

The secured projects were:

	Amount RM (Million)
• Design, construction, rehabilitation and upgrading of Jalan Alor Star – Durian Burong road in Kedah	246.2
• Maintenance works for 238km coastal road, Ras Jedeir – Gharaboulli, Libya	203.0
• Tripoli – Garian road maintenance works, Libya	128.1

### OUR PEOPLE

To accomplish our Vision and stay relevant, we are prepared to make the necessary adjustments which are consistent with our core values. Protasco is aware that in a highly competitive arena, only the strong backed by motivated and talented people will survive.

We have also realised that in order for us to seize local and offshore opportunities, we need to have the right mindset.

As such the Company believes that by proactively tackling the human capital development issues, we shall go a long way towards achieving our objectives. In this regard, we have invested and will continue to invest on staff training and development programmes whilst striving for quality recruitment. We will try to achieve minimal staff turnover by providing competitive compensation and benefit to our staff.

Our emphasis on Quality is also given due regards as we streamline internal processes and procedures. In 2006, our unit, Roadcare (M) Sdn Bhd attained its ISO 9001:2000 certification. In addition, HCM Engineering was given a three year ISO re-certification.

### DIVIDENDS

For the financial year ended 31 December 2006, the Company had paid an interim dividend of 8.33% less 28% taxation or a net dividend of approximately 3 sen per share on 28 December 2006. Subject to shareholders' approval at the forthcoming Annual General Meeting, the directors are recommending a final dividend of 10.96% less 27% taxation or a net dividend of approximately 4 sen per share. Total gross dividend for the year under review at 9.65 sen per share thus exceed the previous year total gross dividend of 8.75 sen per share.

# Executive Chairman's Statement

## OUTLOOK

The scenario is one of the construction sector being re-rated amid the country's positive economic fundamentals and general expectation of a more favourable domestic and external conditions in the second half of 2007.

Thus we are reasonably optimistic and look forward to participating actively in 9MP opportunities in the near and medium-term. At the same time, to broaden our earning base, we will continue to explore and secure more offshore projects. We are currently taking measures to venture into other infrastructure sectors such as water and waste water treatment and property development.

## APPRECIATION

In retrospect, it has really been a challenging journey so far.

We would like to record our utmost appreciation to our clients, bankers, shareholders, Board members, management, staff and business associates for we realise that we would not have been able to be where we are alone.

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

Thank you.

**Dato' Hasnur Rabiain Ismail**  
Executive Chairman

## Calendar Of Events

AUGUST 2006

### HCM POKM Conference 2006



HCM Engineering Sdn Bhd held a one-day inaugural HCM Practice of Knowledge Management (POKM) Conference 2006 in Kuala Lumpur.

The seminar was organised in line with the Ninth Malaysia Plan's emphasis on sustainable human capital development in the k-based economy.

Five papers were presented by the speakers who touched on positive habits, improving performance and ICT as K-Management enabler.

SEPTEMBER 2006

### HCM and Roadcare Bags Three Public Works Games Medals

HCM Engineering Sdn Bhd and Roadcare (M) Sdn Bhd participated in the Public Works Games 2006 in Alor Star and returned with a strong showing in football and bowling.

Roadcare bagged a silver medal in football and a bronze medal in bowling while HCM won a bronze medal in football.

SEPTEMBER 2006

### MEKO Award Presentation Ceremony



HCM Engineering Sdn Bhd received the inaugural Malaysian Emerging Knowledge Organization (MEKO) overall champion Award 2005. The award was presented by Malaysia's Deputy Higher Education Minister, YB Datuk Ong Tee Keat to Managing Director, YBhg Dato' Ir Hasnur Rabiain Ismail.

From an initial list of 21 companies, HCM was among the six which were shortlisted, and subsequently voted and ranked first by 136 delegates who attended the Practice of Knowledge Management (POKM) Conference on 19 December 2005.

The MEKO Award was co-organised to recognise Malaysian organisations which adopt a structured roadmap to pioneer the practise of KM in support of the Ninth Malaysia Plan towards Vision 2020.

OCTOBER 2006

### Record Turnout at Protasco's Annual Iftar Perdana

Guests, staff and students from various Protasco Bhd group of companies joined their Muslim colleagues for a breaking fast event at Protasco's Iftar Perdana.

With almost 1,500 guests, it was a record turnout at a Protasco's buka puasa do. The event was also made merry by the presence of 36 orphans of the Darul Fuqaha Orphanage for Boys. They were treated to goodies and *duit raya*.

## Calendar Of Events

### DECEMBER 2006 KLIUC'S 4th Convocation



A total of 537 students received their degrees, diplomas and certificates from YBhg Tan Sri Dato' Dr Abdul Hamid bin Othman, Chairman, Board of Governors of KLIUC at the university college's fourth convocation ceremony.

### JANUARY 2007 Kumpulan Ikram Celebrates its 10th Year Anniversary



The staff and management of Kumpulan Ikram Sdn Bhd (KISB) celebrated the company's 10th Anniversary on 10 January 2007.

While it was a celebration of ten years of achievements and developments, the day was made more significant with the launch of Kumpulan Ikram's Strategic Business Blueprint 2007-2016.

KISB's Company Song entitled Moving Forward debuted on the same day.

### JANUARY 2007 Donation For The Flood Victims In Johor



30 volunteers from Kumpulan Ikram Sdn Bhd and Kumpulan Latihan Kelana Mahasiswa of KLIUC (KLKM) visited the worst hit areas in Kota Tinggi, Johor to distribute food, clothing and electrical goods to the victims of the massive flood.

### FEBRUARY 2007 Award of Road Maintenance Works for Tripoli - Garian, Libya

Libyan Malaysian Company for Roads and Construction (LMCRC) which is an associate company of HCM Engineering Sdn Bhd was awarded LD46.6 million (RM128.1 million) maintenance works for the Tripoli - Garian Road in Libya by the Road and Bridges Authority (RBA) of Libya.

## Calendar Of Events

FEBRUARY 2007

### Groundbreaking for Unipark Avenue Condominium Project



The groundbreaking ceremony for the new RM30 million Unipark Avenue Condominium Project was held on site and officiated by YBhg Tan Sri Dato' Othman bin Mohd Rijal, Chairman of Kumpulan Ikram and accompanied by the Managing Director, YBhg Dato' Ir Chong Ket Pen.

MARCH 2007

### Kedah MB Officiates Alor Star - Durian Burong Project

Kedah Menteri Besar, YAB Dato' Seri Mahdzir Khalid officiated the Alor Star-Durian Burong (ADUB) project at a groundbreaking ceremony in Alor Star.

The 48km road rehabilitation and upgrading project is undertaken by HCM-Molek JV Sdn Bhd. In the first component, there will be four lanes (dual carriageway) linking Alor Star to Pokok Sena.

The second component will comprise two segments, viz upgrading of the existing Pokok Sena - Kuala Nerang and Kuala Nerang - Durian Burong roads.

The ADUB project is scheduled to be completed in September 2009.

MARCH 2007

### Award of Ras Jedeir - Gharaboulli Project (Phase 2)



Protasco Berhad announced the award of the Ras Jedeir - Gharaboulli road maintenance project (Phase 2) to LMCRC an associate company of HCM Engineering Sdn Bhd, making the total contract value RM203.0 million.



APRIL 2007

### NEW PRESIDENT OF KLIUC

YBhg Dato' Wira Ir Dr Mohammad Noor Hj Salleh became a part of Kumpulan Ikram when he was appointed the new President of KLIUC with effect from 2 April 2007.

# Audit Committee Report

## MEMBERSHIP AND MEETINGS

The Audit Committee comprises four (4) members as follows:

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

The Audit Committee held five (5) meetings during the financial year ended 31 December 2006, which were attended by all the members, except for Benny Soh Seow Leng who became a member of the Audit Committee on 28 November 2006.

## SUMMARY OF ACTIVITIES

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

- (i) Discuss the appointment of external auditors and their audit fees, the nature and scope of the audit, the audit plan and ensure co-ordination where more than one audit firm is involved;
- (ii) Review the adequacy of the scope, functions and resources of the Internal Audit Department and that it has the necessary authority to carry out its work;
- (iii) Review and discuss the major issues raised in the internal audit reports, audit's recommendations, management's response and actions taken to strengthen internal control system;
- (iv) Review the quarterly results and annual financial statements of the Group and its subsidiaries prior to approval by the Board of Directors, focusing particularly on unusual events and compliance with accounting standards and other legal 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 the Senior Management.

For the year ended 31 December 2006, 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.

# Audit Committee Report

## TERMS OF REFERENCE

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

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

# Audit Committee Report

## AUDIT COMMITTEE CHARTER

### 1. Composition

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

### 2. Authority

The Audit Committee shall:

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

# Audit Committee Report

## 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.

### 4.2 Quorum and Attendance

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

### 4.3 Secretary

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

### 4.4 Minutes

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

### 4.5 Specific Duties

The Audit Committee is to:

- 4.5.1 Review with the Company's management, external auditors and the internal auditor, the Company's general policies and procedures to reasonably assure the adequacy of internal accounting and financial reporting controls.
- 4.5.2 Make all necessary enquiries of management and the external auditors concerning established standards of corporate conduct and performance, and deviations therefrom.
- 4.5.3 Review the scope and general extent of the external auditor's examination, including their engagement letter.

# Audit Committee Report

## 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.

# Audit Committee Report

## 4. Meetings (Continued)

### 4.6 Audit Committee Report

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

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

## 5. Review of the Audit Committee

The Board of Directors shall review the term of office and performance of the Audit Committee and each of its members at least once every three (3) 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) is of the view 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 possible services in road construction, maintenance, upgrading and rehabilitation, which are supported and complemented by engineering, trading, R&D, education and training services.

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

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

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 who have the necessary skills and experience. Please refer to their profiles on page 8 and 9 of this Annual Report. All the Independent Directors are free from any business or other relationship that could materially interfere with the exercise of their independent judgment.

### **Training**

All Directors have attended the Mandatory Accreditation Programme (MAP). In addition, 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, six (6) Board Meetings were held. Except for Dato' Hasnur Rabiain Bin Ismail who had attended five (5) out of six (6) meetings, the other Directors had attended all the Board Meetings held.

# Statement On Corporate Governance

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

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

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

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 enable the Company to attract and retain the Directors with the relevant experience and expertise.

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

Details of the Directors' Remuneration for the financial year ended 31 December 2006 are as disclosed in the Financial Statements as set out on pages 58 and 59 of the Annual Report.

## **REACHING OUT TO SHAREHOLDERS AND INVESTORS**

### **Investor and Media Relations**

As a way to obtain feedback and discuss issues of mutual interests, the Company held meetings with analysts, investors and reporters. The Company is supportive of Bursa Malaysia Securities Berhad's (Bursa Malaysia) Capital Market Development Fund – Bursa Research Scheme (CBRS) to help investors make better-informed decisions and facilitate greater understanding of listed companies. Thus, Protasco has agreed to be tracked by two research houses commissioned by Bursa Malaysia, namely Netresearch-Asia Sdn Bhd and Standard & Poor's.

# Statement On Corporate Governance

## REACHING OUT TO SHAREHOLDERS AND INVESTORS (CONTINUED)

### Investor and Media Relations (Continued)

In addition, the Company issued timely release of its financial results and other required announcements, responded promptly to enquiries from analysts and investors and has a dedicated website, [www.protasco.com.my](http://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.

Contact person:

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

Tel: 03-8738 3282 Fax: 03-8926 4008 Email: [ccd@protasco.com.my](mailto:ccd@protasco.com.my)

### The Annual General Meeting (AGM)

The AGM is the principal forum for dialogue with all shareholders who 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 are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Shareholders can also contact the Company with their queries throughout the year.

## ACCOUNTABILITY & AUDIT

### Financial Reporting

The Directors are required by the Companies Act, 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group. The Directors consider the presentation of the financial statements and ensure that the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates. The Audit Committee assists the Board by scrutinising the information to be disclosed to ensure adequacy. The Group's financial statements are presented on pages 39 to 81 of this Annual Report.

# Statement On Corporate Governance

## **Relationship with the Auditors**

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

## **Internal Control**

The Board acknowledges their responsibility for the Group's system of internal controls and reviews its effectiveness regularly via the Internal Audit Department which provides support to the Audit Committee in discharging its duties with respect to the adequacy and integrity of the system of internal control within the Group. A Statement on Internal Control outlining the internal controls within the Group is presented on page 27 of this Annual Report.

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

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

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

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities. The Board has also ensured that the quarterly and annual financial statements of the Company and Group are released to Bursa Malaysia in a timely manner in order to keep the investing public informed of the Group's latest development.

## **GOING CONCERN STATEMENT**

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

# Statement On Internal Control

The Board is committed to maintaining a sound system of internal control to enhance and safeguard shareholders' investments and the Group's assets. The systems of internal control cover financial, operational and compliance controls.

The Board, however, recognises that there are inherent limitations in any system of internal control, which is generally designed to manage rather than eliminate business risk. Accordingly, the system 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 Buy-Back

The Company had at its Fifth Annual General Meeting (AGM) held on 15 June 2006 obtained approval of the shareholders in relation to the Share Buy-Back 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-up share capital of the Company for the time being quoted on the Bursa Malaysia Securities Berhad.

For the financial year ended 31 December 2006, the Company purchased a total of 370,000 shares, all of which were 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	Buy-Back Price Per Share (RM)		Average Cost	Total Cost
		Lowest	Highest	Per Share	RM
January	114,900	0.775	0.800	0.790	90,793
February	148,700	0.780	0.795	0.793	117,863
March	1,000	0.965	0.965	0.965	965
June	100,000	0.895	0.900	0.898	89,750
August	5,400	0.905	0.905	0.905	4,887
<b>TOTAL</b>	<b>370,000</b>				<b>304,258</b>

### 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 2006 amounted to RM56,200.

### 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 2006.

### 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 33 of the Financial Statements and the Circular to Shareholders dated 29 May 2007, there were 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, warrants or convertible securities during the financial year ended 31 December 2006.

### 9. Revaluation Policy of Landed Properties

Protasco Group does not adopt a policy of regular revaluation.

## Other Compliance Information

### 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 29 May 2007.

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	Ikram Structure Assessment Sdn Bhd	1,051
Soil Centralab Sdn Bhd	Soil Centralab Sdn Bhd is a subsidiary of Projek Penyelenggaraan Lebuhraya Berhad (PROPEL), a major shareholder of Ikram Paves Sdn Bhd	Receipt of field testing services for site investigation	Ikram Engineering Services Sdn Bhd	35
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	280
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	6
Soil Centralab Sdn Bhd	Soil Centralab Sdn Bhd is a subsidiary of PROPEL, a major shareholder of Ikram Paves Sdn Bhd	Provision of pavement and structural evaluation services	Ikram Paves Sdn Bhd	57

## Other Compliance Information

### 10. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE OR TRADING NATURE (CONT'D)

Transaction Parties	Relationship	Nature of Transactions	Name of Companies	Amount Transacted during the Financial Year (RM'000)
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	26
Perunding Pertama	Tan Heng Kui, who is a director of Kumpulan Ikram (Sabah) Sdn Bhd, is also a principal of Perunding Pertama	Provision of site investigation and other related services	Kumpulan Ikram (Sabah) Sdn Bhd	289
PROPEL	PROPEL is a major shareholder of Ikram Paves Sdn Bhd	Provision of road construction works	HCM Engineering Sdn Bhd	22
PROPEL	PROPEL is a major shareholder of Ikram Paves Sdn Bhd	Sub-contracting of road construction works	HCM Engineering Sdn Bhd	367
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	59
TH Technologies Sdn Bhd	TH Technologies Sdn Bhd is a major shareholder of Roadcare (M) Sdn Bhd	Sub-contracting of road construction works	HCM-TH Technologies Sdn Bhd	46,438
TH Technologies Sdn Bhd	TH Technologies Sdn Bhd is a major shareholder of Roadcare (M) Sdn Bhd	Sales of goods	Protasco Trading Sdn Bhd	35
Dato' Abdul Manaf Hamid	Dato' Abdul Manaf Hamid is a director of HCM Engineering (PNG) Ltd	Referral fees	HCM Engineering (PNG) Ltd	1,500



# Financial Statements

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# DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2006.

## PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are described in Note 14 to the financial statements.

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

<b>RESULTS</b>	<b>Group RM'000</b>	<b>Company RM'000</b>
Net profit for the year	26,543	20,626

There were no material transfers to or from reserves or provisions during the year other than as disclosed in the statement of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the acquisition of subsidiaries as disclosed in Note 14 to the financial statements.

## DIVIDENDS

The amount of dividends declared by the Company since 31 December 2005 were as follows:

	<b>RM'000</b>
In respect of the financial year ended 31 December 2005 as reported in the directors' report of that year:	
Final dividend of 11.12% less 28% taxation, declared on 15 June 2006 and paid on 28 June 2006	11,974
In respect of the financial year ended 31 December 2006:	
First interim dividend of 8.33% less 28% taxation, declared on 28 November 2006 and paid on 28 December 2006.	8,973
	<u>20,947</u>

At the forthcoming Annual General Meeting, the directors recommend a final dividend in respect of the financial year ended 31 December 2006, of 10.96% less 27% taxation, amounting to a dividend payable of approximately RM11,965,200 (approximately 4 sen net per share) computed based on the issued and paid-up capital as at 31 December 2006 of 299,100,000 ordinary shares of RM0.50 each to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. 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 2007.

## DIRECTORS' REPORT

### DIRECTORS

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

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

### DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive any benefits (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 33 to the financial statements.

### DIRECTORS' INTERESTS

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

The Company	Number of Ordinary Shares of RM0.50 each			
	1.1.2006	Bought	Sold	31.12.2006
<b>Direct Interest</b>				
Dato' Hasnur Rabiain bin Ismail	39,064,193	55,000	-	<b>39,119,193</b>
Dato' Chong Ket Pen	39,603,193	121,500	-	<b>39,724,693</b>
Datin Normah binti Kassim	90,000	-	-	<b>90,000</b>
Benny Soh Seow Leng	170,000	-	-	<b>170,000</b>
Azliza binti Ahmad Tajuddin	149,500	-	-	<b>149,500</b>
<b>Indirect Interest</b>				
Dato' Hasnur Rabiain bin Ismail	52,201,720	-	-	<b>52,201,720</b>
Dato' Chong Ket Pen	22,964,074	-	-	<b>22,964,074</b>

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

## DIRECTORS' REPORT

### TREASURY SHARES

During the year, the Company repurchased 370,000 of its issued shares capital from the open market at an average price of RM0.83 per share. The total consideration paid for the repurchase including transaction costs was RM306,512. The shares repurchased are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

As at 31 December 2006, the Company held as treasury shares a total of 900,000 of its 300,000,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM705,000 and further relevant details are disclosed in Note 27 to the financial statements.

### OTHER STATUTORY INFORMATION

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

## DIRECTORS' REPORT

### OTHER STATUTORY INFORMATION (CONTINUED)

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

### OTHER SIGNIFICANT EVENTS

- (a) On 20 February 2006, Ikram Latihan Sdn Bhd, a wholly owned subsidiary of Kumpulan Ikram Sdn Bhd increased its issued and paid-up capital from RM50,000 comprising 50,000 ordinary shares of RM1.00 each to RM300,000 comprising 300,000 ordinary shares of RM1 each.
- (b) On 4 May 2006, HCM Engineering Sdn Bhd a wholly owned subsidiary, further increased its investment in HCM Arabia Sdn Bhd (formerly known as Pavemat Sdn Bhd) to RM6.00. The equity interest in the company is now 60%.
- (c) On 6 September 2006, Kumpulan Ikram Sdn Bhd, a wholly owned subsidiary, disposed its investment in Infra Builders Sdn Bhd ("IBSB") (formerly known as Ikram Geotechnics Sdn Bhd) comprising 200,002 ordinary shares of RM1 each, representing 100% of the total issued and paid-up capital of IBSB for a total cash consideration of RM1,431,947 to its related company, Protasco Infra Sdn Bhd.
- (d) On 6 September 2006, Infra Builders Sdn Bhd (formerly known as Ikram Geotechnics Sdn Bhd), increased its paid up capital from RM200,002 to RM750,000.
- (e) On 11 September 2006, HCM Engineering Sdn Bhd, a wholly owned subsidiary, acquired 60% equity interest in HCM-Molek JV Sdn Bhd, a company incorporated in Malaysia for a cash consideration of RM3.
- (f) On 11 September 2006, Kumpulan Ikram (Sabah) Sdn Bhd, a subsidiary of Kumpulan Ikram Sdn Bhd, further increased its investment in Infra Water Sdn Bhd ("IWSB") by RM130,000 comprising 130,000 ordinary shares of RM1 each, while maintaining 20% equity interest in IWSB.
- (g) On 11 September 2006, Protasco Infra Sdn Bhd, a wholly owned subsidiary further increased its investment in Infra Water Sdn Bhd ("IWSB") by RM357,000 comprising 357,000 ordinary shares of RM1 each, while maintaining 55% equity interest in IWSB.
- (h) On 18 September 2006, Protasco Land Sdn Bhd, a wholly owned subsidiary, acquired 100% equity interest in Protasco Land SA (Pty) Ltd, a company incorporated in South Africa, for a cash consideration of Rand1,115 (RM538).

## DIRECTORS' REPORT

### OTHER SIGNIFICANT EVENTS (CONTINUED)

- (i) On 4 October 2006, HCM (L) Bhd, a wholly owned subsidiary of HCM Engineering Sdn Bhd, acquired the remaining 49% equity interest in Global Traders Ltd, a company incorporated in the Federal Territory of Labuan for a cash consideration of USD49 (RM173). The equity interest in the company is now 100%.
- (j) On 9 November 2006, Kumpulan Ikram Sdn Bhd, a wholly owned subsidiary, acquired 2 ordinary shares of RM1.00 each in Ikram Libyana Sdn Bhd and subsequently on 10 November 2006, the subsidiary further subscribe additional 299,998 ordinary shares of RM1.00 each for a combined total consideration of RM300,000. The equity interest in the Company is now 60% consisting 300,000 ordinary shares.
- (k) On 22 November 2006, Protasco Trading Sdn Bhd, a wholly owned subsidiary, acquired 100% equity interest in Protasco Enterprise SA (Pty) Ltd (formerly known as Finishing Touch Trading 311 (Pty) Ltd), a company incorporated in South Africa for a cash consideration of Rand120 (RM58).
- (l) On 24 November 2006, Protasco Enterprise SA (Pty) Ltd (formerly known as Finishing Touch Trading 311 (Pty) Ltd), a wholly owned subsidiary of Protasco Trading Sdn Bhd acquired 40% equity interest in Lotus Blinds & Flooring (Pty) Ltd, a company incorporated in South Africa for a cash consideration of Rand400 (RM200).
- (m) On 5 December 2006, Protasco Enterprise SA (Pty) Ltd (formerly known as Finishing Touch Trading 311 (Pty) Ltd), a wholly owned subsidiary of Protasco Trading Sdn Bhd acquired 100% equity interest in Exclusive Access Trading 460 (Pty) Ltd, a company incorporated in South Africa for a cash consideration of Rand120 (RM58).

### SUBSEQUENT EVENTS

- (a) On 24 January 2007, Paves Sdn Bhd, a subsidiary of Kumpulan Ikram Sdn Bhd, changed its name to Ikram Paves Sdn Bhd.

### AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 April 2007.

**Dato' Hasnur Rabiain bin Ismail**

Kuala Lumpur, Malaysia

**Dato' Chong Ket Pen**

## STATEMENT BY DIRECTORS

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

We, Dato' Hasnur Rabiain bin Ismail and Dato' Chong Ket Pen, being two of the directors of Protasco Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 39 to 81 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 April 2007.

**Dato' Hasnur Rabiain bin Ismail**

**Dato' Chong Ket Pen**

Kuala Lumpur, Malaysia

## STATUTORY DECLARATION

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

I, Sofia binti Zakaria, being the Officer primarily responsible for the financial management of Protasco Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 39 to 81 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed Sofia binti Zakaria at  
Kuala Lumpur in the Federal Territory  
on 27 April 2007

**Sofia binti Zakaria**

Before me,

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

## REPORT OF THE AUDITORS

TO THE MEMBERS OF PROTASCO BERHAD

We have audited the financial statements set out on pages 39 to 81. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 14 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

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

**Mohd Sukarno bin Tun Sardon**  
No. 1697/03/09 (J)  
Partner

Kuala Lumpur, Malaysia  
27 April 2007

# INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue	3	<b>538,378</b>	520,273	<b>31,417</b>	30,028
Cost of sales	4	<b>(384,046)</b>	(371,801)	-	-
Gross profit		<b>154,332</b>	148,472	<b>31,417</b>	30,028
Other operating income		<b>5,530</b>	16,761	<b>123</b>	90
Administrative expenses		<b>(45,999)</b>	(64,135)	<b>(2,743)</b>	(2,926)
Selling and marketing expenses		<b>(48)</b>	(168)	-	-
Other operating expenses		<b>(33,362)</b>	(19,742)	-	-
Profit from operations	5	<b>80,453</b>	81,188	<b>28,797</b>	27,192
Finance costs	8	<b>(529)</b>	(445)	-	-
Share of results of associated companies		<b>(107)</b>	(864)	-	-
Profit before taxation		<b>79,817</b>	79,879	<b>28,797</b>	27,192
Taxation	9	<b>(26,239)</b>	(22,348)	<b>(8,171)</b>	(7,792)
Profit for the year		<b>53,578</b>	57,531	<b>20,626</b>	19,400
<b>Attributable to:</b>					
Equity holders of the Company		<b>26,543</b>	41,132	<b>20,626</b>	19,400
Minority interests		<b>27,035</b>	16,399	-	-
		<b>53,578</b>	57,531	<b>20,626</b>	19,400
<b>Earning per share attributable to equity holders of the Company (sen)</b>					
- Basic	10	<b>8.9</b>	13.7		
Dividends per share (sen)					
- First interim and final	11	<b>7.00</b>	6.30	<b>7.00</b>	6.30

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

# BALANCE SHEETS

AS AT 31 DECEMBER 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000 (restated)	2006 RM'000	2005 RM'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	12	167,534	173,995	-	-
Investment property	13	695	705	-	-
Investment in subsidiaries	14	-	-	129,429	129,179
Investment in associated companies	15	2,211	2,039	-	-
Other investment	16	424	330	-	-
		<b>170,864</b>	<b>177,069</b>	<b>129,429</b>	<b>129,179</b>
<b>CURRENT ASSETS</b>					
Inventories	17	334	724	-	-
Trade receivables	18	216,389	183,925	-	-
Other receivables	19	6,110	4,481	59,754	60,045
Tax recoverable		3,425	3,738	81	81
Other investment	20	11,498	13,168	-	-
Cash and bank balances	22	90,078	113,254	3,982	11,452
		<b>327,834</b>	<b>319,290</b>	<b>63,817</b>	<b>71,578</b>
<b>CURRENT LIABILITIES</b>					
Trade payables	23	100,908	112,711	-	-
Other payables	24	19,480	20,021	13	10
Borrowings	25	5,387	3,566	-	-
Dividends payable		-	6,887	-	6,887
Taxation		10,081	4,489	-	-
		<b>135,856</b>	<b>147,674</b>	<b>13</b>	<b>6,897</b>
<b>NET CURRENT ASSETS</b>					
		<b>191,978</b>	<b>171,616</b>	<b>63,804</b>	<b>64,681</b>
		<b>362,842</b>	<b>348,685</b>	<b>193,233</b>	<b>193,860</b>
<b>EQUITY</b>					
Share capital	27	150,000	150,000	150,000	150,000
Treasury shares	27	(705)	(399)	(705)	(399)
Share premium		43,531	43,531	43,531	43,531
Foreign exchange reserve		58	61	-	-
Reserve on consolidation	29	-	30,266	-	-
Retained profits	28	121,792	85,930	407	728
		<b>314,676</b>	<b>309,389</b>	<b>193,233</b>	<b>193,860</b>
<b>Minority interests</b>		<b>40,221</b>	<b>30,752</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>354,897</b>	<b>340,141</b>	<b>193,233</b>	<b>193,860</b>
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities	30	7,588	8,064	-	-
Borrowings	25	357	480	-	-
		<b>362,842</b>	<b>348,685</b>	<b>193,233</b>	<b>193,860</b>

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2006

	Attributable to Equity Holders of the Company									
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Foreign Exchange Reserve RM'000	Other Reserve RM'000	Retained Profit RM'000	Total RM'000	Minority Interest RM'000	Total Equity RM'000	
<b>Group</b>										
At 1 January 2005	150,000	43,531	-	-	42,790	63,694	300,015	31,933	331,948	
Foreign exchange differences representing net gain not recognised in income statement	-	-	-	61	-	-	61	-	61	
Transfer to profit and loss for the year	-	-	-	-	(12,524)	-	(12,524)	-	(12,524)	
Profit for the year	-	-	-	-	-	41,132	41,132	16,399	57,531	
Share buy back	-	-	(399)	-	-	-	(399)	-	(399)	
Dividends (Note 11)	-	-	-	-	-	(18,896)	(18,896)	(17,580)	(36,476)	
At 31 December 2005	150,000	43,531	(399)	61	30,266	85,930	309,389	30,752	340,141	
At 1 January 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	-	-	-	
Foreign exchange differences, representing net loss not recognised in income	-	-	-	(3)	-	-	(3)	-	(3)	
Profit for the year	-	-	-	-	-	26,543	26,543	27,035	53,578	
Share buy back	-	-	(306)	-	-	-	(306)	-	(306)	
Dividends (Note 11)	-	-	-	-	-	(20,947)	(20,947)	(17,566)	(38,513)	
At 31 December 2006	150,000	43,531	(705)	58	-	121,792	314,676	40,221	354,897	
<b>Company</b>										
At 1 January 2005	150,000	43,531	-	-	-	224	193,755	-	193,755	
Profit for the year	-	-	-	-	-	19,400	19,400	-	19,400	
Share buy back	-	-	(399)	-	-	-	(399)	-	(399)	
Dividends (Note 11)	-	-	-	-	-	(18,896)	(18,896)	-	(18,896)	
At 31 December 2005	150,000	43,531	(399)	-	-	728	193,860	-	193,860	
Profit for the year	-	-	-	-	-	20,626	20,626	-	20,626	
Share buy back	-	-	(306)	-	-	-	(306)	-	(306)	
Dividends (Note 11)	-	-	-	-	-	(20,947)	(20,947)	-	(20,947)	
At 31 December 2006	150,000	43,531	(705)	-	-	407	193,233	-	193,233	

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

# CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	<b>79,817</b>	79,879	<b>28,797</b>	27,192
Adjustments for:				
Depreciation of property, plant and equipment	<b>17,528</b>	21,083	-	-
Depreciation on investment property	<b>10</b>	10	-	-
Interest expense	<b>529</b>	445	-	-
Negative goodwill written off	<b>(28)</b>	-	-	-
Provision for doubtful debts	<b>1,392</b>	8	-	-
Share of results in associated company	<b>(107)</b>	864	-	-
Impairment of investment in associates	<b>700</b>	-	-	-
Gain on disposal of property, plant and equipment	<b>(608)</b>	(248)	-	-
Amortisation of reserve on consolidation	-	(12,524)	-	-
Bad debts written off	<b>6</b>	19	-	-
Reversal of provision for doubtful debts	<b>(917)</b>	(78)	-	-
Unrealised exchange losses	<b>1,707</b>	-	-	-
Tax exempt dividends received from investment in unit trusts	<b>(400)</b>	(335)	-	-
Gross dividends from subsidiaries	-	-	<b>(29,167)</b>	(27,778)
Interest income	<b>(2,353)</b>	(1,776)	<b>(123)</b>	(178)
Operating profit before working capital changes	<b>97,276</b>	87,347	<b>(493)</b>	(764)
Decrease/(increase) in inventories	<b>390</b>	(415)	-	-
(Increase)/decrease in receivables	<b>(35,570)</b>	6,455	<b>291</b>	4,751
(Decrease)/increase in payables	<b>(11,960)</b>	(39,320)	<b>3</b>	(275)
Cash generated from operations	<b>50,136</b>	54,067	<b>(199)</b>	3,712
Interest paid	<b>(529)</b>	(445)	-	-
Tax paid	<b>(20,810)</b>	(22,113)	<b>(4)</b>	(43)
Net cash generated from/(used in) operating activities	<b>28,797</b>	31,509	<b>(203)</b>	3,669

## CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	2,353	1,776	123	178
Other investment	(94)	-	-	-
Purchase of investment property	-	(715)	-	-
Purchase of property, plant and equipment	(12,542)	(13,286)	-	-
Acquisition of marketable unit trust	1,670	(662)	-	-
Additional investment in associated company	(765)	(463)	-	-
Additional investment in subsidiary company	(300)	-	(250)	2,619
Net dividends received from subsidiaries	-	-	21,000	20,000
Tax exempt dividends received from investment in unit trusts	400	335	-	-
Purchase of Treasury shares	(306)	(399)	(306)	(399)
Proceeds from sale of property, plant and equipment	1,696	(340)	-	-
Net cash (used in)/generated from investing activities	<b>(7,888)</b>	<b>(13,754)</b>	<b>20,567</b>	<b>22,398</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividends paid	(27,833)	(18,883)	(27,834)	(18,883)
Dividends paid to minority shareholders	(17,950)	(17,752)	-	-
Repayment of hire purchase and lease financing	(780)	(856)	-	-
Repayment of bank borrowings	2,599	(2,976)	-	-
Net cash used in financing activities	<b>(43,964)</b>	<b>(40,467)</b>	<b>(27,834)</b>	<b>(18,883)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(23,055)</b>	<b>(22,712)</b>	<b>(7,470)</b>	<b>7,184</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>113,133</b>	<b>135,845</b>	<b>11,452</b>	<b>4,268</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 22)</b>	<b>90,078</b>	<b>113,133</b>	<b>3,982</b>	<b>11,452</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

## 1. CORPORATE INFORMATION

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries and associated company are set out in Notes 14 and 15 respectively.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 April 2007.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

### 2.2 Summary of Significant Accounting Policies

#### (a) *Subsidiaries and Basis of Consolidation*

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

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Summary of Significant Accounting Policies (Continued)

##### (a) *Subsidiaries and Basis of Consolidation (Continued)*

###### (ii) **Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

###### (iii) **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

31 DECEMBER 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Summary of Significant Accounting Policies (Continued)

##### (a) *Subsidiaries and Basis of Consolidation (Continued)*

##### (iii) **Associates (Continued)**

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 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.

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

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Summary of Significant Accounting Policies (Continued)

##### (b) *Property, Plant and Equipment and Depreciation (Continued)*

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Buildings-in-progress are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Leasehold land and buildings	2%
Renovation	10%
Reference books, office equipment, signboard, furniture and fittings	10% - 25%
Laboratory equipment, plant and machinery	12.5% - 20%
Motor vehicles	12.5% - 20%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

##### (c) *Investment Properties*

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment loss.

Depreciation is provided for on a straight-line basis to write off the cost to its residual value over the estimated useful life of 70 years.

The residual value, useful life and depreciation method are reviewed at each financial year end to ensure the amount, method and period of depreciation are consistent with previous estimates.

Investment properties are derecognised when either they have been disposed of or when the investment properties is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Summary of Significant Accounting Policies (Continued)

##### (d) *Construction Contracts*

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

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

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

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

##### (e) *Impairment of Non-Financial Assets*

The carrying amounts of the Group's assets, other than construction contract assets, inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

##### (f) *Inventories*

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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Summary of Significant Accounting Policies (Continued)

##### (g) *Financial Instruments*

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

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

##### (i) **Cash and Cash Equivalents**

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

##### (ii) **Other Non-Current Investments**

Non-current investments other than investments in subsidiaries and associated company are stated at cost less impairments losses.

On disposal of an investment the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

##### (iii) **Marketable Securities**

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

##### (iv) **Receivables**

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

##### (v) **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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Summary of Significant Accounting Policies (Continued)

##### (g) *Financial Instruments (Continued)*

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

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

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

###### (vii) **Equity Instruments**

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

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

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statement on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

##### (h) **Leases**

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

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

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

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2.2(b).

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Summary of Significant Accounting Policies (Continued)

**(i) Provisions for Liabilities**

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

**(j) Income Tax**

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

**(k) Employee Benefits**

**(i) Short Term Benefits**

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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Summary of Significant Accounting Policies (Continued)

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

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

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

##### (l) *Foreign Currencies*

##### (i) **Functional and Presentation Currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

##### (ii) **Foreign Currency Transactions**

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 value 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

31 DECEMBER 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Summary of Significant Accounting Policies (Continued)

##### (l) *Foreign Currencies (Continued)*

##### (ii) **Foreign Currency Transactions (Continued)**

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 recognised directly in equity.

##### (iii) **Foreign Operations**

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

##### (m) **Revenue Recognition**

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

##### (i) **Sale of goods**

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

##### (ii) **Revenue from services**

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

##### (iii) **Education and training fees**

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

##### (iv) **Construction contracts**

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

##### (v) **Dividend income**

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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Summary of Significant Accounting Policies (Continued)

##### (m) Revenue Recognition (Continued)

###### (vi) Interest income

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

###### (vii) Management Fees

Management fees are recognised when services are rendered.

#### 2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs

On 1 January 2006, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006:

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

In addition to the above, the Group has also taken the option of early adoption of the following new and revised FRSs for the financial period beginning 1 January 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

The Group has not early adopted the deferred FRS 139 -Financial Instruments: Recognition and Measurement and the following FRSs and amendment that are mandatory for financial periods beginning on or after 1 January 2007 as they are not relevant to the Group's operations:

##### (i) FRS 6: Exploration for and Evaluation of Mineral Resources

##### (ii) Amendment to FRS 119<sub>2004</sub>: Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (Continued)

The adoption of revised FRS 102, 108, 110, 116, 121, 127, 128, 133, 136, 138 and 140 does not result in significant changes in accounting policies of the Group. The principal changes in accounting policies and their effects resulting from the adoption of the other new and revised FRSs are discussed below:

##### (a) *FRS 3: Business Combinations*

In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

##### **Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)**

Prior to 1 January 2006, negative goodwill was amortised over the weighted average useful life of the non-monetary assets acquired, except to the extent it relates to identified expected future losses as at the date of acquisition. In such cases, it was recognised in profit or loss as those expected losses were incurred. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in profit or loss. In accordance with transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM30,266,000 was derecognised with a corresponding increase in retained earnings.

##### (b) *FRS 140: Investment Property*

Prior to 1 January 2006, under FRS 140, investment property was accounted for as property, plant equipment at cost less accumulated depreciation and impairment losses.

The effect of adopting the cost model on the effective date of FRS 140 has been accounted for as a change in accounting policy. Adjustment should be made retrospectively and comparatives restated. However, in this case, no adjustment is required and the following comparative amounts as at 31 December 2006 have reclassified to conform with current year's presentation.

##### (c) *Summary of Effects and Changes Arising from Adoption of New and Revised FRSs*

##### **Effects on balance sheets as at 31 December 2006**

Description of change	Increase/(Decrease) FRS 3 Note 2.3(a) RM'000
<b>Group</b>	
Retained profits	30,266
Reserve on consolidation	<u>(30,266)</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (Continued)

##### (d) Restatement of Comparatives

The following comparative amounts have been restated arising from the effects of adopting the new and revised FRSs:

Description of change	Increase/(Decrease)		Restated RM'000
	Previously Stated RM'000	FRS 140 Note 2.3(b) RM'000	
<b>Group</b>			
<b>At 31 December 2005</b>			
Property, plant and equipment	174,700	(705)	173,995
Investment property	-	705	705
<b>For the year ended 31 December 2005</b>			
Depreciation of property, plant equipment	21,093	(10)	21,083
Depreciation of investment property	-	10	10

#### 2.4 Changes in Estimates

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group revised the estimated useful lives of certain motor vehicles, plant and machineries from five to eight years with effect from 1 January 2006. The revisions were accounted for prospectively as a change in accounting estimates and as a result, the depreciation charges of the Group for the current financial year have been reduced by RM2,600,000.

### 3. REVENUE

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Gross dividends from subsidiaries	-	-	29,167	27,778
Management fees from subsidiaries	-	-	2,250	2,250
Construction and maintenance contracts	322,829	359,046	-	-
Sale of goods	128,426	83,519	-	-
Education and training fees	26,682	26,441	-	-
Engineering services	52,474	47,350	-	-
Others	7,967	3,917	-	-
	<b>538,378</b>	<b>520,273</b>	<b>31,417</b>	<b>30,028</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 4. COST OF SALES

	Group	
	2006 RM'000	2005 RM'000
Construction and maintenance contracts	187,185	210,179
Sale of goods	156,197	126,001
Education and training fees	15,356	16,119
Engineering services	23,983	19,087
Others	1,325	415
	<b>384,046</b>	<b>371,801</b>

### 5. PROFIT FROM OPERATIONS

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Employee benefits expense (Note 6)	50,570	50,603	2,453	2,313
Non-executive director's remuneration (Note 7)	327	296	64	62
Auditor's remuneration				
- statutory audit				
- current year	211	163	12	10
- under provision in prior year	5	-	2	-
- others	56	39	5	5
Depreciation	17,528	21,083	-	-
Depreciation on investment property (Note 13)	10	10	-	-
Provision for doubtful debts	1,392	8	-	-
Bad debts written off	6	19	-	-
Impairment of investment in associate	700	-	-	-
Net unrealised foreign exchange losses	1,707	-	-	-
Rental of :				
- office premises	850	1,211	-	-
- plant and machinery	90	76	-	-
- motor vehicles	100	128	-	-
- office equipment	400	430	-	-
- others	3	2	-	-
Amortisation of reserve on consolidation	-	(12,524)	-	-
Gain on disposal of property, plant and equipment	(608)	(248)	-	-
Interest income	(2,353)	(1,776)	(123)	(90)
Tax exempt dividends received from investment in unit trusts	(400)	(335)	-	-
Net realised foreign exchange gain	-	(127)	-	-
Rental income	(490)	(522)	-	-
Reversal of provision for doubtful debts	(917)	(78)	-	-

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 6. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Wages and salaries	42,626	43,031	2,134	2,013
Social security contribution	458	467	2	3
Short term accumulating compensated absences	81	91	-	-
Contributions to defined contribution plans	4,680	4,541	257	243
Other staff related expenses	2,725	2,473	60	54
	<b>50,570</b>	<b>50,603</b>	<b>2,453</b>	<b>2,313</b>

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM3,031,000 (2005: RM2,885,000) and RM1,753,000 (2005: RM1,586,000) respectively as further disclosed in Note 7.

### 7. DIRECTORS' REMUNERATION

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Directors of the Company</b>				
Executive directors' remuneration				
Other emoluments (Note 6)	<b>3,031</b>	2,885	<b>1,753</b>	1,586
Non-executive directors' remuneration (Note 5)				
Fees	50	47	50	47
Other emoluments	277	249	14	15
	<b>327</b>	296	<b>64</b>	62
Total directors' remuneration	<b>3,358</b>	3,181	<b>1,817</b>	1,648
Estimated money value benefits-in-kind	107	108	-	-
Total directors' remuneration including benefits-in-kind	<b>3,465</b>	3,289	<b>1,817</b>	1,648

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Executive:</b>				
Salaries and emoluments	1,291	1,152	1,291	1,152
Bonus	288	264	288	264
Contributions to defined contribution plan	174	170	174	170
Estimated money value of benefits-in-kind	63	63	-	-
	<b>1,816</b>	1,649	<b>1,753</b>	1,586
<b>Non-executive:</b>				
Fees	50	47	50	47
Other emoluments	14	15	14	15
	<b>1,880</b>	1,711	<b>1,817</b>	1,648

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 7. DIRECTORS' REMUNERATION (CONTINUED)

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

	Number of Directors	
	2006	2005
<b>Executive Directors:</b>		
RM850,001 - RM900,000	2	-
RM800,001 - RM850,000	-	1
RM750,001 - RM800,000	-	1
<b>Non-Executive Directors:</b>		
Below RM25,000	4	4

### 8. FINANCE COSTS

	Group	
	2006 RM'000	2005 RM'000
Interest expense on:		
- bank overdrafts	35	33
- hire purchase	161	150
- term loans	17	190
- revolving credit	203	-
- others	113	72
	<b>529</b>	<b>445</b>

### 9. TAXATION

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Tax expense for the year:				
Charge for the year	26,848	21,818	8,171	7,790
(Over)/under provision in prior years	(133)	(5)	-	2
	<b>26,715</b>	<b>21,813</b>	<b>8,171</b>	<b>7,792</b>
Deferred tax (Note 30):				
Relating to origination and reversal of temporary differences	(341)	(229)	-	-
(Over)/under provision in prior years	(135)	764	-	-
	<b>(476)</b>	<b>535</b>	<b>-</b>	<b>-</b>
	<b>26,239</b>	<b>22,348</b>	<b>8,171</b>	<b>7,792</b>

Domestic current income tax is calculated at the statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 9. TAXATION (CONTINUED)

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Profit before taxation	<b>79,817</b>	79,879	<b>28,797</b>	27,192
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	<b>22,349</b>	22,366	<b>8,063</b>	7,614
Effect of tax rate of 20%	<b>(238)</b>	(423)	-	-
Deferred tax recognised at different tax rate	<b>(98)</b>	-	-	-
Expenses not deductible for tax purposes	<b>3,903</b>	276	<b>5</b>	6
Income not subject to tax	<b>(1,124)</b>	(292)	<b>(30)</b>	(13)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	-	(379)	-	-
Deferred tax asset not recognised during the year	<b>1,715</b>	41	<b>133</b>	183
(Over)/under provision of income tax in prior years	<b>(133)</b>	(5)	-	2
(Over)/under provision of deferred tax in prior years	<b>(135)</b>	764	-	-
Tax expense for the year	<b>26,239</b>	22,348	<b>8,171</b>	7,792
Tax savings recognised during the year arising from: Utilisation of tax losses and capital allowances brought forward from previous years	-	652	-	652

### 10. EARNINGS PER SHARE

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

	Group	
	2006	2005
Net profit for the year (RM'000)	<b>26,543</b>	41,132
Weighted average number of ordinary share in issue ('000)	<b>299,172</b>	299,896
Basic earnings per share (sen)	<b>8.9</b>	13.7

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 11. DIVIDENDS

	Amount		Net dividends per ordinary shares	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Interim</b>				
8.33% less 28% taxation, declared on 28 November 2006 and paid on 28 December 2006	8,973		3.00	
6.39% less 28% taxation, declared on 18 November 2005 and paid on 10 January 2006		6,886		2.30
<b>Final</b>				
11.12% less 28% taxation, declared on 15 June 2006 and paid on 28 June 2006	11,974		4.00	
11.12% less 28% taxation, declared on 30 May 2005 and paid on 15 June 2005		12,010		4.00
	<b>20,947</b>	<b>18,896</b>	<b>7.00</b>	<b>4.00</b>
				<b>6.30</b>

At the forthcoming Annual General Meeting, the directors recommend a final dividend in respect of the financial year ended 31 December 2006, of 10.96% less 27% taxation, amounting to a dividend payable of approximately RM11,965,200 (approximately 4 sen net per share) computed based on the issued and paid-up capital as at 31 December 2006 of 299,100,000 ordinary shares of RM0.50 each to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. 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 2007.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land		Leasehold land		Buildings	Renovation	Reference books, office equipment, signboard, furniture and fittings		Laboratory equipment, plant and machinery	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000			RM'000	RM'000			
<b>At 31 December 2006</b>											
<b>Cost</b>											
At 1 January 2006	72,000	1,421	46,355	9,658	34,808	91,081	31,345	286,668			
Additions	-	-	522	568	2,413	6,836	2,203	12,542			
Disposals	-	-	-	-	(1,827)	(595)	(3,347)	(5,769)			
Exchange rate differences	-	-	-	-	(6)	(440)	(3)	(449)			
At 31 December 2006	72,000	1,421	46,877	10,226	35,388	96,882	30,198	292,992			
<b>Accumulated Depreciation</b>											
At 1 January 2006	-	86	2,400	5,205	24,483	55,359	25,140	112,673			
Charge for the year	-	-	965	1,097	3,912	9,286	2,268	17,528			
Disposals	-	-	-	-	(1,442)	(518)	(2,721)	(4,681)			
Exchange rate differences	-	-	-	-	-	(60)	(2)	(62)			
At 31 December 2006	-	86	3,365	6,302	26,953	64,067	24,685	125,458			
<b>Net Book Value</b>	72,000	1,335	43,512	3,924	8,435	32,815	5,513	167,534			
<b>At 31 December 2005</b>											
<b>Cost</b>											
At 1 January 2005	72,000	-	46,355	9,052	33,072	83,393	30,214	274,086			
Additions	-	1,421	-	606	1,800	8,003	1,456	13,286			
Disposals	-	-	-	-	(64)	(439)	(344)	(847)			
Exchange rate differences	-	-	-	-	-	124	19	143			
At 31 December 2005	72,000	1,421	46,355	9,658	34,808	91,081	31,345	286,668			
<b>Accumulated Depreciation</b>											
At 1 January 2005	-	-	1,557	4,081	20,113	45,113	21,233	92,097			
Charge for the year	-	86	843	1,124	4,406	10,462	4,162	21,083			
Disposals	-	-	-	-	(36)	(216)	(255)	(507)			
At 31 December 2005	-	86	2,400	5,205	24,483	55,359	25,140	112,673			
<b>Net Book Value</b>	72,000	1,335	43,955	4,453	10,325	35,722	6,205	173,995			

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) Certain property, plant and equipment of the Group with net book value of RM968,287 (2005: RM1,532,000) are held under hire purchase and lease arrangements.
- (b) During the year, the Group acquired property, plant and equipment with an aggregate cost of RM145,092 (2005: RM379,000) by means of hire purchase and finance lease arrangements.
- (c) Certain property, plant and equipment of the Group with net book value of RM109,555,361 (2005: RM110,358,000) were pledged to financial institutions as security to secure credit facilities as disclosed in Note 25.

### 13. INVESTMENT PROPERTY

	Group	
	2006 RM'000	2005 RM'000
<b>At cost</b>		
At 1 January	715	-
Addition	-	715
At 31 December	<u>715</u>	<u>715</u>
<b>Accumulated depreciation</b>		
At 1 January	10	-
Depreciation charge for the year (Note 5)	10	10
At 31 December	<u>20</u>	<u>10</u>
<b>Net carrying amount</b>	<u>695</u>	<u>705</u>

Investment property comprises a leasehold land held for future development.

### 14. INVESTMENT IN SUBSIDIARIES

	Company	
	2006 RM'000	2005 RM'000
<b>Unquoted shares at cost</b>	<u>129,429</u>	<u>129,179</u>

Details of subsidiaries held by the Company are as follows:

Name of Company	Principal Activities	Country of Incorporation	Equity Interest Held	
			2006 %	2005 %
Kumpulan Ikram Sdn Bhd	Training, geotechnical laboratory, structural and material testing, soil investigation, research and development, listing of building materials, engineering and technical related activities and services	Malaysia	100	100
HCM Engineering Sdn Bhd	Road construction, rehabilitation and maintenance	Malaysia	100	100

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries held by the Company are as follows: (Continued)

Name of Company	Principal Activities	Country of Incorporation	Equity Interest Held	
			2006 %	2005 %
Protasco Trading Sdn Bhd	Trading of construction materials and petroleum products	Malaysia	100	100
Protasco Land Sdn Bhd *	Property development	Malaysia	100	100
Protasco Infra Sdn Bhd *	Infrastructure and related work	Malaysia	100	100

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

Name of Company	Principal Activities	Country of Incorporation	Equity Interest Held	
			2006 %	2005 %
Ikram Engineering Services Sdn Bhd	Site investigation and soil testing services	Malaysia	100	100
Kumpulan Ikram (Sabah) Sdn Bhd	Site investigation and soil testing services	Malaysia	60	60
Ikram Education Sdn Bhd *	Education services	Malaysia	100	100
Infra Builders Sdn Bhd (formerly known as Ikram Geotechnics Sdn Bhd)*	Property development	Malaysia	-	100
Ikram Latihan Sdn Bhd *	Training courses	Malaysia	100	100
Ikram Structure Assessment Sdn Bhd * (formerly known as Ikram Research Centre Sdn Bhd)	Provision of structural and material testing	Malaysia	100	100
Ikram QA Services Sdn Bhd *	Certification and listing of products	Malaysia	100	100
Kumpulan Ikram (Sarawak) Sdn Bhd	Site investigation and soil testing services	Malaysia	60	60
Ikram Paves Sdn Bhd (formerly known as Paves Sdn Bhd)	Provision of evaluation and testing services for road pavement	Malaysia	60	60
Ikram Libyana Sdn Bhd *	Provision of structural repair and rehabilitation	Malaysia	60	-

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

Name of Company	Principal Activities	Country of Incorporation	Equity Interest Held	
			2006 %	2005 %
Roadcare (M) Sdn Bhd *	Road maintenance and rehabilitation	Malaysia	51	51
HCM-TH Technologies Sdn Bhd *	Road construction and rehabilitation	Malaysia	70	70
HCM Engineering-Isyoda JV Sdn Bhd *	Road construction and rehabilitation	Malaysia	51	51
FRM Roadworks Sdn Bhd *	Dormant	Malaysia	51	51
HCM-Ikhtisas Sdn Bhd *	Investment holding	Malaysia	60	60

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of Company	Principal Activities	Country of Incorporation	Equity Interest Held	
			2006 %	2005 %
HCM Engineering (PNG) Ltd *	Infrastructure development, construction development projects, agro-forestry and logging	Papua New Guinea	100	100
HCM (L) Ltd *	Investment holding	FT Labuan	100	100
Global Traders Ltd *	International trading	FT Labuan	100	51
HCM-Molek JV Sdn Bhd *	Road construction and rehabilitation	Malaysia	60	-
HCM Arabia Sdn Bhd *	Road construction and rehabilitation	Malaysia	60	-

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

Name of Company	Principal Activities	Country of Incorporation	Equity Interest Held	
			2006 %	2005 %
Protasco Infratech (M) Sdn Bhd *	Trading of road maintenance products	Malaysia	100	100
QP Industries Sdn Bhd *	Production of pavement materials	Malaysia	100	100
Protasco Enterprise SA (Pty) Ltd <i>(formerly known as Finishing Touch Trading 311 (Pty) Ltd *</i>	Investment holding	South Africa	100	-

Details of subsidiaries held through Protasco Enterprise SA (Pty) Ltd (formerly known as Finishing Touch Trading 311 (Pty) Ltd) is as follow:

Name of Company	Principal Activities	Country of Incorporation	Equity Interest Held	
			2006 %	2005 %
Exclusive Access Trading 460 (Pty) Ltd *	Trading of building products	South Africa	100	-

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries held through Protasco Land Sdn Bhd is as follow:

Name of Company	Principal Activities	Country of Incorporation	Equity Interest Held	
			2006 %	2005 %
Protasco Land SA (Pty) Ltd *	Property development	South Africa	100	-

Details of a subsidiary held through Protasco Infra Sdn Bhd are as follows:

Name of Company	Principal Activities	Country of Incorporation	Equity Interest Held	
			2006 %	2005 %
Yangpu Hi-Pro Road Maintenance Co Ltd	Maintenance and rehabilitation of roads and other infrastructure works	China	100	100
Infra Builders Sdn Bhd (formerly known as Ikram Geotechnics Sdn Bhd) *	Building construction	Malaysia	100	-
Infra Water Sdn Bhd *	Water and waste water works	Malaysia	55	-

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

- (a) On 20 January 2006, Ikram Latihan Sdn Bhd, a wholly owned subsidiary of Kumpulan Ikram Sdn Bhd increased its issued and paid-up capital from RM50,000 comprising 50,000 ordinary shares of RM1.00 each to RM300,000 comprising 300,000 ordinary shares of RM1.00 each.
- (b) On 4 May 2006, HCM Engineering Sdn Bhd a wholly owned subsidiary, further increased its investment in HCM Arabia Sdn Bhd (formerly known as Pavemat Sdn Bhd) to RM6.00 The equity interest in the company is now 60%.
- (c) On 6 September 2006, Kumpulan Ikram Sdn Bhd, a wholly owned subsidiary, disposed its investment in Infra Builders Sdn Bhd ("IBSB") (formerly known as Ikram Geotechnics Sdn Bhd) comprising 200,002 ordinary shares of RM1.00 each, representing 100% of the total issued and paid-up capital of IBSB for a total cash consideration of RM1,431,947 to its related company, Protasco Infra Sdn Bhd.
- (d) On 6 September 2006, Infra Builders Sdn Bhd (formerly known as Ikram Geotechnics Sdn Bhd), increased its paid up capital from RM200,002 to RM750,000.
- (e) On 11 September 2006, HCM Engineering Sdn Bhd, a wholly owned subsidiary, acquired 60% equity interest in HCM-Molek JV Sdn Bhd, a company incorporated in Malaysia for a cash consideration of RM3.00.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

- (f) On 11 September 2006, Kumpulan Ikram (Sabah) Sdn Bhd, a subsidiary of Kumpulan Ikram Sdn Bhd, further increased its investment in Infra Water Sdn Bhd ("IWSB") by RM130,000 comprising 130,000 ordinary shares of RM1.00 each, while maintaining 20% equity interest in IWSB.
- (g) On 11 September 2006, Protasco Infra Sdn Bhd, a wholly owned subsidiary further increased its investment in Infra Water Sdn Bhd ("IWSB") by RM357,000 comprising 357,000 ordinary shares of RM1.00 each, while maintaining 55% equity interest in IWSB.
- (h) On 18 September 2006, Protasco Land Sdn Bhd, a wholly owned subsidiary, acquired 100% equity interest in Protasco Land SA (Pty) Ltd, a company incorporated in South Africa, for a cash consideration of Rand1,115 (RM538).
- (i) On 4 October 2006, HCM (L) Bhd, a wholly owned subsidiary of HCM Engineering Sdn Bhd, acquired the remaining 49% equity interest in Global Traders Ltd, a company incorporated the Federal Territory of Labuan for a cash consideration of USD49 (RM173). The equity interest in the company is now 100%.
- (j) On 9 November 2006, Kumpulan Ikram Sdn Bhd, a wholly owned subsidiary, acquired 2 ordinary shares of RM1.00 each in Ikram Libyana Sdn Bhd and subsequently on 10 November 2006, the subsidiary further subscribe additional 299,998 ordinary shares of RM1.00 each for a combined total consideration of RM300,000. The equity interest in the Company is now 60% consisting 300,000 ordinary shares.
- (k) On 22 November 2006, Protasco Trading Sdn Bhd, a wholly owned subsidiary, acquired 100% equity interest in Protasco Enterprise SA (Pty) Ltd (formerly known as Finishing Touch Trading 311 (Pty) Ltd), a company incorporated in South Africa for a cash consideration of Rand120 (RM58).
- (l) On 5 December 2006, Protasco Enterprise SA (Pty) Ltd (formerly known as Finishing Touch Trading 311 (Pty) Ltd), a wholly owned subsidiary of Protasco Trading Sdn Bhd acquired 100% equity interest in Exclusive Access Trading 460 (Pty) Ltd, a company incorporated in South Africa for a cash consideration of Rand120 (RM58).

These acquisitions do not have any significant financial impact on the Group.

### 15. INVESTMENT IN ASSOCIATED COMPANIES

	Group	
	2006 RM'000	2005 RM'000
Unquoted shares at cost	1,483	503
Share of post acquisition profits	28	136
	<u>1,511</u>	639
Redeemable preference shares	1,400	1,400
	<u>2,911</u>	2,039
Less: Accumulated impairment losses	(700)	-
	<u>2,211</u>	2,039
Represented by:		
Share of net assets	<u>2,211</u>	<u>2,039</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 15. INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

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

Name of Associated Companies	Principal Activities	Country of Incorporation	Equity Interest Held	
			2006 %	2005 %
THT-HCM JV Sdn Bhd	Road construction	Malaysia	40	40
Libyan Malaysian Company for Roads and Construction	Construction and maintenance	Libya	49	49

Details of associated company held through Protasco Trading Sdn Bhd is as follow:

Name of Associated Companies	Principal Activities	Country of Incorporation	Equity Interest Held	
			2006 %	2005 %
Lotus Blinds & Flooring (Pty) Ltd	Manufacturing of blinds and flooring products	South Africa	40	-

On 24 November 2006, Protasco Enterprise SA (Pty) Ltd (formerly known as Finishing Touch Trading 311 (Pty) Ltd), a wholly owned subsidiary of Protasco Trading Sdn Bhd acquired 40% equity interest in Lotus Blinds & Flooring (Pty) Ltd, a company incorporated in South Africa for a cash consideration of Rand400 (RM193).

The summarised financial statements of the associates are as follows:

	2006 RM'000	2005 RM'000
<b>Assets and liabilities</b>		
Current assets	24,575	7,676
Non-current assets	1,919	936
Total assets	26,494	8,612
Current liabilities	22,537	4,533
Non-current liabilities	-	64
Total liabilities	22,537	4,597
<b>Results</b>		
Revenue	29,298	34,186
(Loss)/Profit for the year	(2,828)	532

### 16. OTHER INVESTMENT - NON CURRENT ASSET

Other investment represents transferable corporate golf memberships, at cost.

### 17. INVENTORIES

	Group	
	2006 RM'000	2005 RM'000
At cost:		
Stores and spares	334	724

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 18. TRADE RECEIVABLES

	Group	
	2006 RM'000	2005 RM'000
Trade receivables	211,471	182,232
Due from associates	5,115	-
Due from customers on contracts (Note 21)	3,537	5,186
	<b>220,123</b>	187,418
Less: Provision for doubtful debts	(3,734)	(3,493)
	<b>216,389</b>	183,925

Trade receivables includes amounts due from TH Technologies Sdn Bhd, Muhibbah Engineering (M) Berhad, Endaya Construction Sdn Bhd, Molek Engineering Sdn Bhd, C&H Engineering Consultants Sdn Bhd ("C&H") and Projek Penyelenggaraan Lebuhraya Berhad and its related companies, amounting to RM4,130,053 (2005: RM2,400,000). These companies are the corporate shareholders of HCM-TH Technologies Sdn Bhd, Roadcare (M) Sdn Bhd, FRM Roadworks Sdn Bhd, HCM-Molek JV Sdn Bhd and Paves Sdn Bhd except for C&H, which is a company owned substantially by directors of the Company, Dato' Hasnur Rabiain Bin Ismail and Dato' Chong Ket Pen.

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

### 19. OTHER RECEIVABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Due from subsidiaries	-	-	59,749	60,040
Deposits	776	1,135	5	5
Prepayments	136	170	-	-
Sundry receivables	5,916	3,894	-	-
	<b>6,828</b>	5,199	<b>59,754</b>	60,045
Less: Provision for doubtful debts	(718)	(718)	-	-
	<b>6,110</b>	4,481	<b>59,754</b>	60,045

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

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

### 20. OTHER INVESTMENT - CURRENT ASSET

	Group	
	2006 RM'000	2005 RM'000
Unit trust, quoted in Malaysia, at cost	11,498	13,168
Market value of quoted unit trusts	11,498	13,168

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 21. DUE FROM CUSTOMERS ON CONTRACTS

	Group	
	2006 RM'000	2005 RM'000
Construction contract costs incurred to date	930,087	882,828
Attributable profits	217,964	216,168
	<b>1,148,051</b>	<b>1,098,996</b>
Less: Progress billings	(1,144,514)	(1,093,810)
	<b>3,537</b>	<b>5,186</b>
Due from customers on contracts (Note 18)	<b>3,537</b>	<b>5,186</b>
Contract costs recognised as an expense	<b>56,597</b>	<b>117,278</b>

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

	Group	
	2006 RM'000	2005 RM'000
Hire of plant and machinery	3,623	4,559
Staff cost	1,553	1,511
Rental expense	1,281	323

### 22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash on hand and at banks	28,650	42,225	140	11,452
Deposits with licensed banks	61,428	71,029	3,842	-
Cash and bank balances	<b>90,078</b>	<b>113,254</b>	<b>3,982</b>	<b>11,452</b>
Less: Bank overdrafts	-	(121)	-	-
Cash and cash equivalents	<b>90,078</b>	<b>113,133</b>	<b>3,982</b>	<b>11,452</b>

Deposits placed with licensed banks of the Group amounting to RM9,956,000 (2005: RM10,549,000) are pledged to banks for credit facilities granted to certain subsidiaries as referred to in Note 25.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 22. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Group		Company	
	2006 %	2005 %	2006 %	2005 %
Licensed banks	<b>2.8</b>	2.4	<b>3.2</b>	2.5

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

	Group		Company	
	2006 Days	2005 Days	2006 Days	2005 Days
Licensed banks	<b>13</b>	12	<b>3</b>	7

### 23. TRADE PAYABLES

Trade payables includes amounts due to Projek Penyelenggaraan Lebuhraya Berhad and its related companies, TH Technologies Sdn Bhd, Molek Engineering Sdn Bhd and C&H Engineering Consultants Sdn Bhd ("C&H") of RM677,252 (2005: RM7,007,000). The relationship with these companies have been disclosed in Note 18.

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

### 24. OTHER PAYABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Accruals	<b>2,904</b>	3,680	<b>13</b>	10
Sundry payables	<b>16,576</b>	16,341	-	-
	<b>19,480</b>	20,021	<b>13</b>	10

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 25. BORROWINGS

	Group	
	2006	2005
	RM'000	RM'000
<b>Short Term Borrowings</b>		
Secured:		
Revolving credits	5,000	1,200
Term loans	38	1,201
Bank overdrafts	-	121
Hire purchase and finance lease payables (Note 26)	349	1,044
	<u>5,387</u>	<u>3,566</u>
<b>Long Term Borrowings</b>		
Secured:		
Term loans	-	38
Hire purchase and finance lease payables (Note 26)	357	442
	<u>357</u>	<u>480</u>
<b>Total Borrowings</b>		
Revolving credits	5,000	1,200
Term loans	38	1,239
Bank overdrafts	-	121
Hire purchase and finance lease payables (Note 26)	706	1,486
	<u>5,744</u>	<u>4,046</u>
Maturity of borrowings (excluding hire purchase and finance lease):		
Within one year	5,038	2,522
More than 1 years and less than 5 years	-	38
	<u>5,038</u>	<u>2,560</u>

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

	Group	
	2006	2005
	%	%
Revolving credits	5.6	4.8
Term loans	4.2	6.1
Bank overdrafts	7.8	8.2

The term loans are secured by the following:

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

The other bank borrowings of the Group are secured by fixed and floating charge on certain property, plant and equipment and deposits placed with licensed banks of the Group as disclosed in Notes 12 and 22 respectively.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 26. HIRE PURCHASE AND FINANCE LEASE PAYABLES

	Group	
	2006 RM'000	2005 RM'000
<b>Minimum lease payments:</b>		
Not later than one year	394	1,214
Later than 1 year but not later than 5 years	392	498
	<u>786</u>	<u>1,712</u>
Less: Future finance charges	(80)	(226)
Present value of hire purchase	<u>706</u>	<u>1,486</u>
<b>Present value of finance lease liabilities</b>		
Not later than one year	349	1,044
Later than 1 year but not later than 5 years	357	442
	<u>706</u>	<u>1,486</u>
<b>Analysed as follows:</b>		
Due within 12 months (Note 25)	349	1,044
Due after 12 months (Note 25)	357	442
	<u>706</u>	<u>1,486</u>

The hire purchase and lease liabilities bore interest at the balance sheet date of between 2.9% to 6.0% per annum (2005: 2.9% to 6.0% per annum).

### 27. SHARE CAPITAL

	Number of Ordinary Shares		Amount	
	RM0.50 each			
	2006 '000	2005 '000	2006 RM'000	2005 RM'000
<b>Authorised:</b>				
At 1 January/31 December	<u>600,000</u>	600,000	<u>300,000</u>	300,000
<b>Issued and fully paid:</b>				
At 1 January/31 December	<u>300,000</u>	300,000	<u>150,000</u>	150,000

#### Treasury Shares

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

In the annual general meeting held on 15 June 2006, 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 interest of the Company and its shareholders.

During the year, the Company repurchased 370,000 of its issued shares capital from the open market at an average price of RM0.83 per share. The total consideration paid for the repurchase including transaction costs was RM306,512. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 27. SHARE CAPITAL (CONTINUED)

Of the total 300,000,000 issued and fully paid up ordinary shares, 900,000 (2005: 530,000) are held as treasury shares by the Company. As at 31 December 2006, the number of outstanding ordinary shares in issue and fully paid is therefore 299,100,000 (2005: 299,470,000) ordinary shares of RM0.50 each.

### 28. RETAINED PROFITS

As at 31 December 2006, the Company has tax exempt profits available for distribution of approximately RM400,000 (2005: RM400,000) as tax exempt dividends, subject to the agreement of the Inland Revenue Board.

The company has sufficient tax credits under Section 108 of the Income Tax Act 1967 and the balance in the tax exempt income account to frank the payment of dividends out of its entire retained profits as at 31 December 2006.

### 29. RESERVE ON CONSOLIDATION

	Group	
	2006	2005
	RM'000	RM'000
<b>At 1 January</b>	30,266	42790
Effect of adopting FRS 3	(30,266)	-
Amortisation of reserve on consolidation	-	(12,524)
<b>At 31 December</b>	<u>-</u>	<u>30,266</u>

### 30. DEFERRED TAX LIABILITIES

	Group	
	2006	2005
	RM'000	RM'000
At 1 January	8,064	7,529
Recognised in income statement (Note 9)	(476)	535
At 31 December	<u>7,588</u>	<u>8,064</u>

Presented after appropriate offsetting as follows:

Deferred tax assets	(672)	(298)
Deferred tax liabilities	8,260	8,362
	<u>7,588</u>	<u>8,064</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 30. DEFERRED TAX LIABILITIES (CONTINUED)

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

#### Deferred Tax Liabilities of the Group

	Accelerated Capital Allowances RM'000	Fair Value Adjustment RM'000	Total RM'000
At 1 January 2006	5,259	3,103	8,362
Recognised in income statement	(530)	428	(102)
At 31 December 2006	4,729	3,531	8,260

#### Deferred Tax Assets of the Group

	Tax losses RM'000	Provisions RM'000	Total RM'000
At 1 January 2006	(7)	(291)	(298)
Recognised in income statement	7	(381)	(374)
At 31 December 2006	-	(672)	(672)

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

	Group	
	2006 RM'000	2005 RM'000
Unutilised tax losses	2,656	1,849
Unabsorbed capital allowances	6,109	110
Provision for doubtful debts	1,329	1,631
	<u>10,094</u>	<u>3,590</u>

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 subject to no substantial changes in shareholdings of those subsidiaries and the Company under Section 44(5A) and (5B) of Income Tax Act, 1967.

### 31. CAPITAL COMMITMENT

	Group	
	2006 RM'000	2005 RM'000
Capital expenditure:	16,165	208
Approved and contracted for	-	780
Approved but not contracted for	<u>16,165</u>	<u>988</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 32. CONTINGENT LIABILITIES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Unsecured:</b>				
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	177,637	170,490	140,536	135,036
Corporate guarantees given to suppliers for credit facilities granted to a subsidiary company	15,140	14,440	15,140	14,440
Guarantee given by a subsidiary company to Government of Malaysia for the repayment of advance payment received	8,700	8,700	-	-
Performance guarantee extended by subsidiaries to third parties	128,297	126,436	-	-

### 33. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Gross dividends from subsidiaries	-	-	29,167	27,778
Management fees from subsidiaries	-	-	2,250	2,250
Services rendered by:				
- Muhibbah Engineering (M) Berhad, a corporate shareholder of Roadcare (M) Sdn Bhd	-	(31)	-	-
- Projek Penyelenggaraan Lebuhraya Berhad, a corporate shareholder of Paves Sdn Bhd, and its related companies	(22)	2,572	-	-
- TH Technologies Sdn Bhd, a corporate shareholder of Roadcare (M) Sdn Bhd and HCM-TH Technologies Sdn Bhd	-	(139)	-	-
- 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	(286)	(555)	-	-
- Libya Malaysia Company for Road Construction an associated company of HCM-Ikhtisas Sdn Bhd	(14,390)	-	-	-
- Molek Engineering Sdn Bhd, a corporate shareholder of HCM-Molek JV Sdn Bhd	(967)	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 33. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Rental received from:				
- C&H Engineerings Consultants Sdn Bhd	(29)	-	-	-
- Molek Engineering Sdn Bhd, a corporate shareholder of HCM-Molek JV Sdn Bhd	(36)	-	-	-
Sales to:				
- TH Technologies Sdn Bhd	(35)	-	-	-
- THT-HCM JV Sdn Bhd	(34)	-	-	-
- Molek Engineering Sdn Bhd	(528)	-	-	-
Services rendered by:				
- Projek Penyelenggaraan Lebuhraya Berhad, and its related companies	458	1,007	-	-
- TH Technologies Sdn Bhd	-	26,539	-	-
- Perunding Pertama	289	-	-	-
- Molek Engineering Sdn Bhd	12,132	-	-	-
- C&H Engineerings Consultants Sdn Bhd	1,297	2,638	-	-

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.

### 34. OTHER SIGNIFICANT EVENTS

- On 20 February 2006, Ikram Latihan Sdn Bhd, a wholly owned subsidiary of Kumpulan Ikram Sdn Bhd increased its issued and paid-up capital from RM50,000 comprising 50,000 ordinary shares of RM1 each to RM300,000 comprising 300,000 ordinary shares of RM1 each.
- On 4 May 2006, HCM Engineering Sdn Bhd a wholly owned subsidiary, further increased its investment in HCM Arabia Sdn Bhd (formerly known as Pavemat Sdn Bhd) to RM6.00. The equity interest in the company is now 60%.
- On 6 September 2006, Kumpulan Ikram Sdn Bhd, a wholly owned subsidiary, disposed its investment in Infra Builders Sdn Bhd ("IBSB") (formerly known as Ikram Geotechnics Sdn Bhd) comprising 200,002 ordinary shares of RM1 each, representing 100% of the total issued and paid-up capital of IBSB for a total cash consideration of RM1,431,947 to its related company, Protasco Infra Sdn Bhd.
- On 6 September 2006, Infra Builders Sdn Bhd (formerly known as Ikram Geotechnics Sdn Bhd), increased its paid up capital from RM200,002 to RM750,000.
- On 11 September 2006, HCM Engineering Sdn Bhd, a wholly owned subsidiary, subscribed to 60% equity interest in HCM-Molek JV Sdn Bhd, a newly incorporated company in Malaysia for a cash consideration of RM3.
- On 11 September 2006, Kumpulan Ikram (Sabah) Sdn Bhd, a subsidiary of Kumpulan Ikram Sdn Bhd, further increased its investment in Infra Water Sdn Bhd ("IWSB") by RM130,000 comprising 130,000 ordinary shares of RM1 each, while maintaining 20% equity interest in IWSB.
- On 11 September 2006, Protasco Infra Sdn Bhd, a wholly owned subsidiary further increased its investment in Infra Water Sdn Bhd ("IWSB") by RM357,000 comprising 357,000 ordinary shares of RM1 each, while maintaining 55% equity interest in IWSB.
- On 18 September 2006, Protasco Land Sdn Bhd, a wholly owned subsidiary, acquired 100% equity interest in Protasco Land SA (Pty) Ltd, a company incorporated in South Africa, for a cash consideration of Rand1,115 (RM538).

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 34. OTHER SIGNIFICANT EVENTS (CONTINUED)

- (i) On 4 October 2006, HCM (L) Bhd, a wholly owned subsidiary of HCM Engineering Sdn Bhd, acquired the remaining 49% equity interest in Global Traders Ltd, a company incorporated in the Federal Territory of Labuan for a cash consideration of USD49 (RM173). The equity interest in the company is now 100%.
- (j) On 9 November 2006, Kumpulan Ikram Sdn Bhd, a wholly owned subsidiary, acquired 2 ordinary shares of RM1.00 each in Ikram Libyana Sdn Bhd and subsequently on 10 November 2006, the subsidiary further subscribed additional 299,998 ordinary shares of RM1.00 each for a combined total consideration of RM300,000. The equity interest in the Company is now 60% consisting 300,000 ordinary shares.
- (k) On 22 November 2006, Protasco Trading Sdn Bhd, a wholly owned subsidiary, acquired 100% equity interest in Protasco Enterprise SA (Pty) Ltd (formerly known as Finishing Touch Trading 311 (Pty) Ltd), a company incorporated in South Africa for a cash consideration of Rand120 (RM58).
- (l) On 24 November 2006, Protasco Enterprise SA (Pty) Ltd (formerly known as Finishing Touch Trading 311 (Pty) Ltd), a wholly owned subsidiary of Protasco Trading Sdn Bhd acquired 40% equity interest in Lotus Blinds & Flooring (Pty) Ltd, a company incorporated in South Africa for a cash consideration of Rand400 (RM200).
- (m) On 5 December 2006, Protasco Enterprise SA (Pty) Ltd (formerly known as Finishing Touch Trading 311 (Pty) Ltd), a wholly owned subsidiary of Protasco Trading Sdn Bhd acquired 100% equity interest in Exclusive Access Trading 460 (Pty) Ltd, a company incorporated in South Africa for a cash consideration of Rand120 (RM58).

### 35. SUBSEQUENT EVENTS

- (a) On 24 January 2007, Paves Sdn Bhd, a subsidiary of the Kumpulan Ikram Sdn Bhd, changed its name to Ikram Paves Sdn Bhd.

### 36. FINANCIAL INSTRUMENTS

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

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

#### (b) Interest Rate Risk

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 36. FINANCIAL INSTRUMENTS (CONTINUED)

#### (d) Credit Risk

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

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

#### (e) Foreign Currency Risk

The Group's exposure to foreign currency risk arises from its investments in overseas subsidiaries and joint ventures. The Group's foreign exchange management policy is to minimise economic and significant transactional exposures arising from currency movements.

#### (f) Fair Values

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

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

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

### 37. 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 37. SEGMENTAL INFORMATION

31 December 2006	Construction Contracts RM'000	Engineering Services RM'000	Training and Education RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>REVENUE</b>							
External sales	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
<b>RESULTS</b>							
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 associated company	(107)						(107)
Taxation							(26,239)
Profit after taxation							53,578
Minority interests							(27,035)
Net profit for the year							26,543
<b>ASSETS</b>							
Segment assets	254,444	189,462	16,083	30,838	7,871		498,698
Investment in associated company							-
Unallocated corporate assets							-
Consolidated total assets							498,698
<b>LIABILITIES</b>							
Segment liabilities	73,321	29,235	11,085	22,151	421		136,213
Unallocated corporate liabilities							-
Consolidated total liabilities							136,213
<b>OTHER INFORMATION</b>							
Capital expenditure	8,057	1,652	2,223	554	56		12,542
Depreciation	11,838	4,312	1,035	304	39		17,528

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

### 37. SEGMENTAL INFORMATION (CONTINUED)

31 December 2005	Construction Contracts RM'000	Engineering Services RM'000	Training and Education RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>REVENUE</b>							
External sales	359,046	47,350	26,442	83,519	3,917	-	520,274
Inter-segment sales	36	3,925	445	45,925	32,762	(83,093)	-
Total revenue	359,082	51,275	26,887	129,444	36,679	(83,093)	520,274
<b>RESULTS</b>							
Segment results	54,912	6,097	2,828	3,348	16,664	(15,185)	68,664
Amortisation of reserve on consolidation							12,524
Profit from operations							81,188
Finance costs							(445)
Share of results of associated company	(864)	-	-	-	-	-	(864)
Taxation							(22,348)
Profit after taxation							57,531
Minority interests							(16,399)
Net profit for the year							41,132
<b>ASSETS</b>							
Segment assets	248,264	195,498	14,489	23,257	214,851	-	496,359
Unallocated corporate assets							-
Consolidated total assets							496,359
<b>LIABILITIES</b>							
Segment liabilities	82,143	29,373	7,294	21,338	8,006	-	148,154
Unallocated corporate liabilities							-
Consolidated total liabilities							148,154
<b>OTHER INFORMATION</b>							
Capital expenditure	9,602	2,379	1,784	12	224		14,001
Depreciation	14,670	5,218	960	98	147		21,093

## LIST OF PROPERTIES

No	Location	Description/ Existing Use	Age of Buildings	Tenure	Approx. Land Area sq. ft.	Net Book Value at 31.12.2006 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 5 – 24 years	Freehold	4,356 million	109,247	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 11/2-storey light industrial terraced factories	9 years	Freehold	9,558	741	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	11 years	Freehold	2,799	860	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	23 years	Leasehold 99 years expiring in 2076	1,760	814	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	23 years	Leasehold 99 years expiring in 2076	1,760	681	11.06.23#
6	Lot No. P.T. 167, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan.	Intermediate four-storey shophouse	23 years	Leasehold 99 years expiring in 2076	1,760	681	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	23 years	Leasehold 99 years expiring in 2076	1,760	681	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	23 years	Leasehold 99 years expiring in 2076	2,208	954	11.06.02#
9	HS (M) 39751, Lot No.P.T. 47478, Mukim Kuala Kuantan, Daerah Kuantan, Pahang.	Two-Storey semi-detached factory	10 years	Leasehold 66 years expiring in 2063	4,500	282	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	695	10.03.05#
11	HS (M) 1156, Blok 7, Mukim of Dengkil, District of Sepang, State of Selangor Darul Ehsan.	Workshop	1 year	Leasehold 99 years expiring in 2080	126,300	1,837	05.08.05#

# Analysis Of Shareholdings

AS AT 18 APRIL 2007

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	71	0	3,621	0	0.00	0.00
100 - 1,000	607	0	558,258	0	0.19	0.00
1,001 - 10,000	2,005	17	9,754,603	91,800	3.27	0.03
10,001 - 100,000	758	22	24,537,833	725,000	8.22	0.24
100,001 - 14,929,999*	156	10	96,241,244	4,789,300	32.23	1.60
14,930,000 and above**	6	0	161,898,341	0	54.22	0.00
<b>TOTAL</b>	<b>3,603</b>	<b>49</b>	<b>292,993,900</b>	<b>5,606,100</b>	<b>98.13</b>	<b>1.87</b>

	No. of Holders	No. of Holdings	% of Holdings
<b>GRAND TOTAL</b>	<b>3,652</b>	<b>298,600,000***</b>	<b>100.00</b>

**Remarks:** \* Less than 5% of issued holdings  
 \*\* 5% and above of issued holdings  
 \*\*\* Excluding 1,400,000 treasury shares

## SUBSTANTIAL SHAREHOLDERS

Name	Direct Holdings		Indirect Holdings	
	No. of Shares	%	No. of Shares	%
Dato' Hasnur Rabiain bin Ismail	39,134,193	13.11	52,201,720 <sup>(1)</sup>	17.48
Dato' Chong Ket Pen	39,724,693	13.30	22,964,074 <sup>(2)</sup>	7.69
Yap Onn Neo	33,054,701	11.07	22,964,074 <sup>(2)</sup>	7.69
Dream Cruiser Sdn Bhd	29,237,646	9.79	-	-
Max-Three Sdn Bhd	22,964,074	7.69	-	-
Lembaga Tabung Haji	15,322,300	5.13	-	-

### 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	39,134,193	13.11
Dato' Chong Ket Pen	39,724,693	13.30
Dato' Dr Norraesah Binti Haji Mohamad	-	-
Datin Normah Binti Kassim	90,000	0.03
Benny Soh Seow Leng	170,000	0.06
Azliza Binti Ahmad Tajuddin	149,500	0.05
<b>TOTAL</b>	<b>79,268,386</b>	<b>26.55</b>

## List Of Top 30 Shareholders\*

AS AT 18 APRIL 2007

No.	Name	Holdings	%
1.	Chong Ket Pen	39,724,693	13.30
2.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>BC Trustee Advisory For Hasnur Rabiain Bin Ismail (PB)</i>	38,898,193	13.03
3.	Yap Oon Neo	30,821,579	10.32
4.	Dream Cruiser Sdn Bhd	21,057,528	7.05
5.	Max-Three Sdn Bhd	16,396,348	5.49
6.	Lembaga Tabung Haji	15,000,000	5.02
7.	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>PHEIM Assets Management Sdn Bhd For Employees Provident Fund</i>	9,197,726	3.08
8.	Dream Cruiser Sdn Bhd	8,180,118	2.74
9.	Max-Three Sdn Bhd	6,567,726	2.20
10.	Malaysia Nominees (Tempatan) Sendirian Berhad <i>Great Eastern Life Assurance (Malaysia) Berhad (Par 2)</i>	4,010,300	1.34
11.	Malaysia Nominees (Tempatan) Sendirian Berhad <i>Great Eastern Life Assurance (Malaysia) Berhad (Non Par 1)</i>	3,500,000	1.17
12.	Employees Provident Fund Board	2,612,600	0.87
13.	Lau Yeet Mei	2,175,385	0.73
14.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Exempt An for Prudential Assurance Malaysia Berhad</i>	1,965,500	0.66
15.	Universal Trustee (Malaysia) Berhad <i>Alliance Optimal Income Fund</i>	1,729,500	0.58
16.	Malaysia Nominees (Tempatan) Sendirian Berhad <i>Great Eastern Life Assurance (Malaysia) Berhad (LGF)</i>	1,686,100	0.56
17.	Hong Leong Assurance Berhad <i>As Beneficial Owner (Life Par)</i>	1,573,900	0.53
18.	Cekal Teguh Sdn Bhd	1,534,871	0.51
19.	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB for L.G.B Holdings Sdn Bhd (PB)</i>	1,502,442	0.50
20.	HLB Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Yong MA Teresa Alava</i>	1,500,000	0.50
21.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (Malaysia) Trustee Berhad For Amanah Saham Sarawak</i>	1,500,000	0.50
22.	Yap Onn Neo	1,475,122	0.49
23.	Malaysia Nominees (Tempatan) Sendirian Berhad <i>MIDF Amanah Asset Management Berhad For Amanah Millenia Fundberhad</i>	1,475,100	0.49
24.	Malaysia Nominees (Tempatan) Sendirian Berhad <i>Great Eastern Life Assurance (Malaysia) Berhad (DR)</i>	1,427,300	0.48
25.	Lau Yeet Mei	1,406,758	0.47
26.	Tan Yein Kim @ Tan Eng Kian	1,342,013	0.45
27.	Ooi Hoow Kiong	1,188,046	0.40
28.	Malaysia Nominees (Tempatan) Sendirian Berhad <i>Great Eastern Life Assurance (Malaysia) Berhad (LPF)</i>	1,090,000	0.37
29.	Chang Nyok Lian	1,074,756	0.36
30.	Citigroup Nominees (Asing) Sdn Bhd <i>GSCO For Holiday Edward Richard</i>	998,500	0.33
TOTAL		222,612,104	74.52

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

# Notice Of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Sixth 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 Wednesday, 20 June 2007 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 2006 and the Reports of Directors and Auditors thereon. **(Resolution 1)**
2. To approve a final dividend of 10.96% less 27% taxation for the financial year ended 31 December 2006. **(Resolution 2)**
3. To re-elect the following Directors retiring in accordance with Article 70 of the Company's Articles of Association:-
  - (i) Dato' Hasnur Rabiain Bin Ismail **(Resolution 3)**
  - (ii) Datin Normah Binti Kassim **(Resolution 4)**
4. To appoint Auditors of the Company and authorise the Directors to determine their remuneration. **(Resolution 5)**

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965 (a copy of which is annexed and marked "A" in the Annual Report 2006) has been received by the Company for the nomination of Messrs Horwath who have given their consent to act, for appointment as Auditors of the Company.

### 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 subject always to the Companies Act, 1965 and the approvals of the relevant authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, 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 and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

**(Resolution 6)**

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

"THAT pursuant to Chapter 10, Paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries ("PB Group") be and are hereby authorised to enter into and give effect to the Recurrent Transactions with the related parties, as detailed in Part A, Section 1.3 of the Circular to Shareholders dated 29 May 2007 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

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

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

whichever occurs first.

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

**(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 and are hereby authorised to purchase its own shares through Bursa Securities, subject to the following:

- (a) The maximum number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the issued and paid-up ordinary share capital of the Company at any point in time;
- (b) The maximum fund to be allocated by the Company for the purpose of purchasing its shares shall not exceed the retained profits and share premium accounts of the Company. As at the latest financial year ended 31 December 2006, the audited retained profits and share premium accounts of the Company stood at RM0.407 million and RM43.531 million respectively;
- (c) The authority conferred by this resolution will be effective upon passing of this resolution and will continue in force until:
  - (i) the conclusion of the next Annual General Meeting ("AGM"), at which time the said authority will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
  - (ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or

(iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first;

## Notice Of Annual General Meeting

### 7. ORDINARY RESOLUTION - PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONTINUED)

- (d) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:
- (i) cancel the shares so purchased;
  - (ii) retain the shares so purchased as treasury shares;
  - (iii) distribute the treasury shares as dividends to shareholders;
  - (iv) resell the treasury shares on Bursa Securities in accordance with the relevant rules of Bursa Securities; and
  - (v) any combination of the above (i), (ii), (iii) and (iv).

THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary and 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. SPECIAL RESOLUTION - PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

“THAT the proposed amendments to the Articles of Association of the Company as contained in Part B of the Circular to Shareholders dated 29 May 2007 be hereby approved.” **(Resolution 9)**

### 9. TO TRANSACT ANY OTHER BUSINESS OF WHICH DUE NOTICE SHALL HAVE BEEN RECEIVED.

## NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT a final dividend of 10.96% less 27% taxation for the financial year ended 31 December 2006, if approved by shareholders, will be payable on 3 July 2007 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 25 June 2007.

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 25 June 2007 in respect of transfers; and
- b. shares bought on Bursa Malaysia Securities Berhad on a cum-entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

**KHOR HOOI LING**  
**SEOW FEI SAN**  
Secretaries

Selangor Darul Ehsan  
Date : 29 May 2007

## Notice Of Annual General Meeting

### 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 Sixth 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 Sixth 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 29 May 2007, which is despatched together with the Company's Annual Report 2006.

**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 C of the Circular to Shareholders dated 29 May 2007, which is despatched together with Company's Annual Report 2006.

**Resolution 9** -The proposed Resolution 9, if passed, will enable the adoption of a new Articles of Association which incorporate the amendments as set out in Part B of the Circular to shareholders dated 29 May 2007 which is despatched together with the Company's Annual Report 2006.

# Statement Accompanying The Notice Of Annual General Meeting

## **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' Hasnur Rabiain Bin Ismail
- (ii) Datin Normah Binti Kassim

Further details of the above Directors are set out in the Directors' Profile on page 8 and 9 of the Annual Report.

## **BOARD MEETINGS**

There were six (6) Board Meetings held during the financial year ended 31 December 2006. 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 23 of the Annual Report.

## **PLACE, DATE AND TIME OF THE SIXTH ANNUAL GENERAL MEETING**

The Sixth 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 Wednesday, 20 June 2007 at 10.00 a.m.

# Annexure A

## **Dato' Hasnur Rabiain Bin Ismail**

87, Jalan Kemuning Pandan, 53100 Kuala Lumpur  
Tel : 603-92873070 Fax: 603-93842859

16 May 2007

The Board of Directors  
Protasco Berhad  
312, 3<sup>rd</sup> Floor  
Block C, Kelana Square  
17 Jalan SS7/26  
47301 Petaling Jaya  
Selangor

Dear Sirs

### **CHANGE OF AUDITORS**

Pursuant to Section 172(11) of the Companies Act, 1965, I, being a shareholder of the Company, hereby give notice of my intention to nominate Messrs Horwath for appointment as auditors of the Company and to propose the following as an ordinary resolution to be tabled at the Annual General Meeting of the Company:

*"That Messrs Horwath be and are hereby appointed auditors of the Company in place of the retiring auditors, Messrs Ernst & Young to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."*

Yours faithfully

  
**DATO' HASNUR RABIAIN BIN ISMAIL**

# 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 Sixth 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 Wednesday, 20 June 2007 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 2006 and the Reports of the Directors and Auditors thereon.		
2	To approve a final dividend of 10.96% less 27% taxation for the financial year ended 31 December 2006.		
3	To re-elect Dato' Hasnur Rabiain Bin Ismail who is retiring pursuant to Article 70 of the Company's Articles of Association.		
4	To re-elect Datin Normah Binti Kassim who is retiring pursuant to Article 70 of the Company's Articles of Association.		
5	To appoint auditors of the Company and to 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.		
9	Proposed amendments to Articles of Association of the Company.		

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 ....., 2007

<b>Number of shares held</b>	
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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 Sixth 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 Sixth Annual General Meeting or any adjournment thereof.

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STAMP

The Company Secretaries

**PROTASCO BERHAD** (548078-H)

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

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