PROTASCO BERHAD
548078-H


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

annual report **2012**

# Vision

**Engineering infrastructure solutions for a better quality of life**

# Core Values

- **Integrity and reliability**
- **Innovative and creative**
- **Excellent customer service**
- **Socially responsible**
- **Nurturing human resource**

# Contents

# Corporate Information

## Board of Directors

**Tan Sri Datuk Dr Hadenan Bin A Jalil**
Chairman, Independent Non-Executive Director

**Dato' Ir Chong Ket Pen**
Executive Vice Chairman / Group Managing Director

**Dato' Mohd Hanif Bin Sher Mohamed**
Independent Non-Executive Director

**Ir Tan Heng Kui**
Non-Independent Non-Executive Director

**Ooi Kock Aun**
Independent Non-Executive Director

**Tan Yee Boon**
Independent Non-Executive Director

**Mohamad Farid Bin Mohd Yusof**
Independent Non-Executive Director

**Company Secretaries**
Khor Hooi Ling
*MAICSA 7014879*

Seow Fei San
*MAICSA 7009732*

**Registered Office**
802, 8th 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
Unipark Suria, Jalan Ikram-Uniten
43000 Kajang
Selangor Darul Ehsan
Malaysia
Tel : 603 8738 3388
Fax : 603 8926 4008
Web : www.protasco.com.my
Email : ccd@protasco.com.my

**Registrar**
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : 603 7841 8000
Fax : 603 7841 8008

**Principal Bankers**
RHB Bank Berhad
CIMB Bank Berhad
Bank Islam Malaysia Berhad
UOB (Malaysia) Berhad
Hong Leong Bank Berhad
AmBank (M) Berhad

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

**Stock Exchange Listing**
Main Board
Bursa Malaysia Securities Berhad
Listed Since : 8 August 2003
Stock Name : Prtasco
Stock Code : 5070

# PROTASCO BERHAD

- **100% HCM Engineering Sdn Bhd**
  - 100% HCM (L) Bhd
  - 70% KPS-HCM Sdn Bhd
  - 70% Permint Granite-HCM Sdn Bhd
  - 60% HCM Arabia Sdn Bhd
  - 60% HCM-Ikhtisas Sdn Bhd
    - 49% Libyan Malaysian Company for Roads & Construction
  - 60% HCM-Molek JV Sdn Bhd
  - 51% Roadcare (M) Sdn Bhd
  - 51% Empayar Indera Sdn Bhd
- **100% Kumpulan Ikram Sdn Bhd**
  - 100% Ikram Education Sdn Bhd — Infrastructure University Kuala Lumpur
  - 100% Ikram Engineering Services Sdn Bhd
  - 100% Ikram Infrastructure Asset Management Sdn Bhd
  - 100% Ikram QA Services Sdn Bhd
  - 100% Ikram Latihan Sdn Bhd — iTiDi (Ikram Training and Infrastructure Development Institute)
    - 100% Ikram Skills Academy Sdn Bhd — ISRA (Ikram Skills and Retraining Academy)
  - 100% Ikram Paves Sdn Bhd
  - 60% Kumpulan Ikram (Sarawak) Sdn Bhd
  - 60% Kumpulan Ikram (Sabah) Sdn Bhd
  - 30% Ikram Premier Consulting Sdn Bhd
- **100% Protasco Trading Sdn Bhd**
  - 100% QP Industries Sdn Bhd
  - 100% Linktel Communication Sdn Bhd
- **100% Protasco Development Sdn Bhd**
  - 100% De Centrum Development Sdn Bhd
  - 100% Protasco Land Sdn Bhd
    - 70% Protasco Land SA (Pty) Ltd

NOTE: This structure depicts main operating subsidiary and associate companies only

# Group Financial Highlights

## 2012
## Key Figures

**Turnover**
RM 794 million

**Profit After Tax & Non-Controlling Interests**
RM 37 million

**Earnings Per Share**
12.6 sen

**Total Net Dividend Per Share**
14.0 sen

**Net Tangible Assets Per Share**
RM 1.19

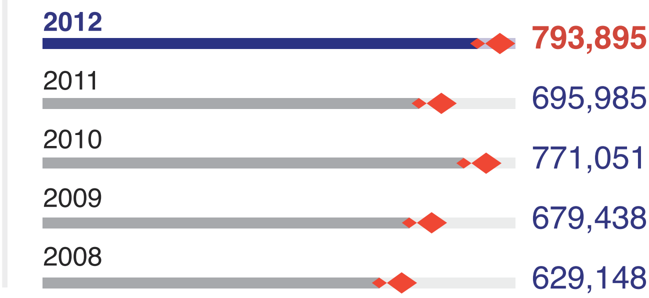
**YEAR ENDED 31 DECEMBER**

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Turnover (RM'000) | 629,148 | 679,438 | 771,051 | 695,985 | **793,895** |
| Profit After Taxation and Non-Controlling Interests (RM'000) | 28,816 | 43,196 | 47,067 | 31,828 | **37,472** |
| Earnings Per Share (sen) | 9.71 | 14.56 | 15.87 | 10.73 | **12.63** |
| Total Net Dividend Per Share (sen) | 7.0 | 9.0 | 10.0 | 8.0 | **14.0*** |
| Net Tangible Assets Per Share (RM) | 1.11 | 1.17 | 1.19 | 1.21 | **1.19** |

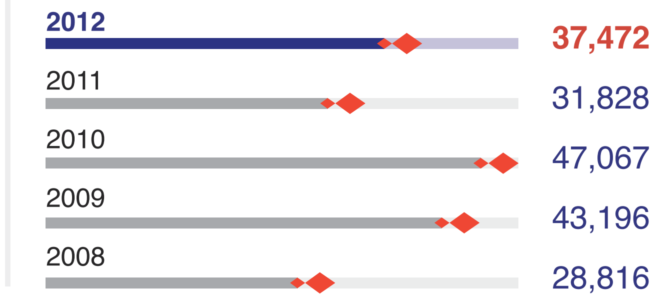
**Remarks**

* Including a final single tier dividend in respect of the financial year ended 31 December 2012 of 4 sen per ordinary share which will be proposed for the shareholders' approval at the forthcoming Annual General Meeting.

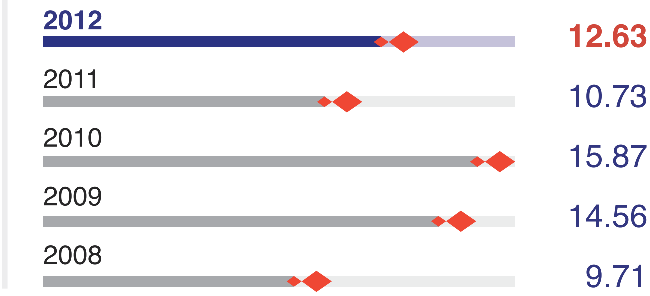
### Turnover (RM'000)



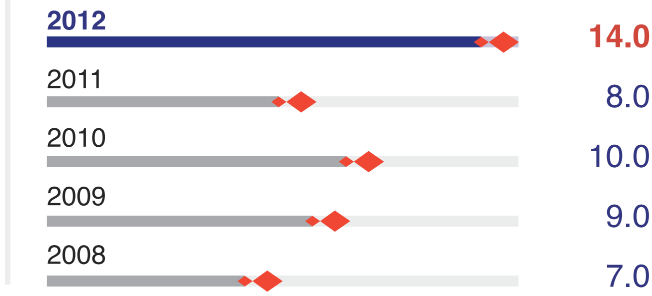

### Profit After Taxation & Non-Controlling Interests (RM'000)



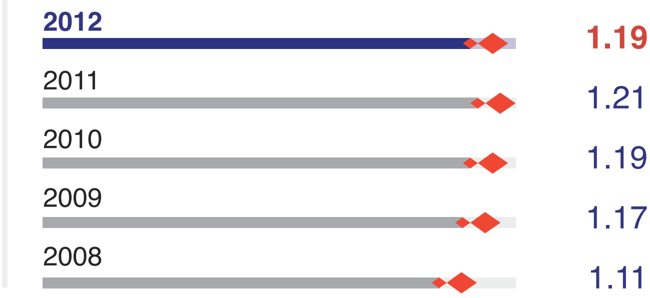

### Earnings Per Share (sen)




### Total Net Dividend Per Share (sen)




### Net Tangible Assets Per Share (RM)



# Core Business Divisions


Protasco Berhad's construction and maintenance activities involve construction of new roads, buildings and bridges; and include road design, rehabilitation, upgrading and maintenance works. It also provides project management services where the Group has managed more than 1,000 building projects worth more than USD 1 billion.

Protasco Berhad's Group of Companies (Group) has completed more than RM3 billion equivalent worth of road construction and maintenance project works, both domestically and internationally. Its road construction includes works on the KLIA expressway; road construction from Kuala Perlis to Changlun, Perlis; construction, rehabilitation and upgrading of road from Muar to Melaka; construction, rehabilitation and upgrading of Jalan Alor Setar - Kuala Nerang - Durian Burung in Kedah; upgrading and rehabilitation of road from Kapar to Sabak Bernam and Klang to Banting in Selangor; and road maintenance on Tarhuna - Ben Waled Road in Libya.

Through two 15-year federal road maintenance concessions and three 7-year contracts for the maintenance of state roads in Selangor, Terengganu and Perak, the Group maintains about 14,000km of Federal and State roads in Malaysia. The two (2) 15-year federal road maintenance concessions covers federal roads in the states of Selangor, Pahang, Terengganu, Kelantan and divisions of Sibu, Mukah and Bintulu in Sarawak.

The Group provides routine maintenance, periodic maintenance and emergency works on roads. Recycling technologies in pavement maintenance such as the Hot-in-Place Recycling and the Cold-in-Place Recycling are used.

Its building construction section has seen the completion of two blocks of 20-storey Unipark Condominium and two blocks of 9-storey hostels in Kajang; Teachers' Training Institute in Penang and Urban Development Authority (UDA) shop lots in Bandar Tun Hussein Onn, Kuala Lumpur.


The Group provides a wide range of engineering and consultancy services such as site investigations; laboratory testing; slope studies; pavement evaluation and data collection; geotechnical and structural forensic engineering services; design works; materials certification; product listing; research and development; quality control and assurance; and traffic studies.

Spearheaded by its wholly owned subsidiary Kumpulan Ikram Sdn Bhd (KISB), it has developed and carved a niche in providing engineering services and consultancy (IKRAM Services) ever since it was awarded the privatisation concession by the Government of Malaysia in 1997. In particular, KISB is sought after for solutions pertaining specifically to landslides, pavement and structural failures.

In the property development sector, the Group aspires to become a leading industry player, bringing to the market innovative residential and commercial products that will establish its reputation as a quality property developer. In 2012 it successfully completed its maiden project, the Unipark Condominiums at Unipark Suria in South Kuala Lumpur. Comprising two 20-storey blocks totaling 320 units, the successful completion paved the way for the Group to embark on larger property development projects.

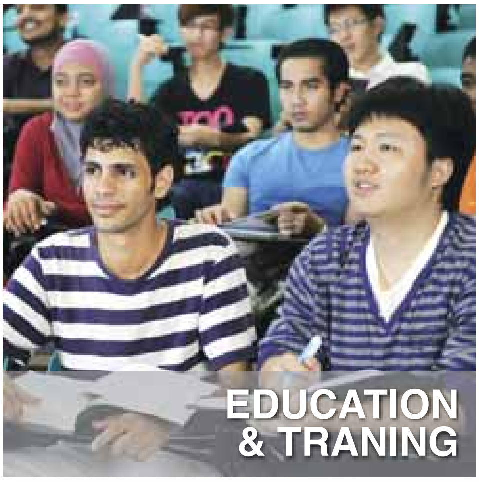
Currently under construction and scheduled for completion in 2015, De Centrum is the Group's first mixed development project. It includes service apartments, SOHO and a neighborhood mall and has been well received by buyers. De Centrum is the first of several launch phases of De Centrum City, a new urban development project consisting of commercial, residential, educational and modern lifestyle attractions that will redefine the urban landscape of South Kuala Lumpur.

De Centrum City masterplan has a projected Gross Development Value (GDV) of RM4.5 billion, with a development period between 10-15 years.


Protasco Berhad has developed its own Infrastructure University Kuala Lumpur (IUKL) on the 100-acre Unipark Suria providing quality education in various fields.

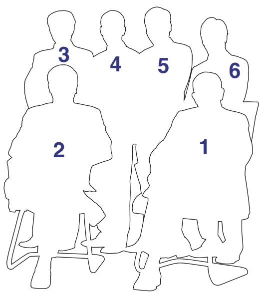
From a humble beginning as Kolej Ikram in 1998, the institution was upgraded to a full-fledged university in September 2012. IUKL was also conferred the SETARA 11 Tier 5: Excellent rating by the Malaysian Qualifications Agency (MQA) in the same year, making it one of the top tier universities in the country. IUKL has six faculties offering a range of academic programmes including Foundation, Diploma, Bachelor, Master and Doctorate degrees. The six faculties comprises Engineering & Technology Infrastructure; Architecture & Built Environment; Business & Accounting; Arts, Communication & Education; Information & Computing Technology; and Applied Science & Foundation Studies.

Guided by the university's motto "For Knowledge, For Humanity", IUKL strives to widen its students' learning experience on campus. Currently, IUKL community comprises students from more than 50 countries and has extensive international partnering with universities from the United Kingdom, the United States of America, Australia, New Zealand, Ireland, Germany, The Netherlands and China.




The Group's trading arm specialises in trading and distribution of construction materials and various infrastructure related products. Its product ranges from pavement related materials to construction building material, petroleum based products, highway safety products and equipment. It is committed to being an innovative business entity, continuously seeking opportunities for growth, and providing quality materials, equipment and solutions to its valued clientele.

# Board of Directors




1. Tan Sri Datuk Dr Hadenan Bin A Jalil
2. Dato' Ir Chong Ket Pen
3. Dato' Mohd Hanif Bin Sher Mohamed
4. Mohamad Farid Bin Mohd Yusof
5. Ooi Kock Aun
6. Ir Tan Heng Kui

Not in picture: Tan Yee Boon

## Tan Sri Datuk Dr Hadenan Bin A Jalil

**Chairman**
**Independent Non-Executive Director**
Malaysian, Age 67

Tan Sri Datuk Dr Hadenan Bin A Jalil was appointed Director and Chairman of Protasco Berhad on 28 April 2010. He was appointed Chairman of the Audit Committee on 28 September 2012.

He received his tertiary education from the University of Malaya in 1970 and graduated with a Bachelor of Economics (Honours) degree. He later obtained a Master in Business Management from the Asian Institute of Management, Philippines in 1975. In 1986, he obtained a Doctor of Philosophy from Henley Management College, United Kingdom.

He started his career by joining the Malaysian Administrative and Diplomatic Services at the Ministry of Finance in 1970 as an Assistant Secretary in the Budget Division. He went on to assume various positions at the Ministry such as Principal Assistant Secretary, Tax Division; Deputy Secretary, Economic Division; Deputy Secretary, Finance Division and Secretary, Finance Division until 1998. He then served at the Ministry of International Trade and Industry as Deputy Secretary General (Trade) from 1998 to 1999, Secretary General at the Ministry of Works from 1999 to 2000 and as the Auditor General at the National Audit Department until his retirement in 2006.

At present, he holds directorships in Malayan Banking Berhad, Maybank Islamic Berhad, and Unilever (M) Sdn Bhd. He is also Chairman of ICB Islamic Bank Ltd Dhaka, Bangladesh, PNB Commercial Sdn Bhd, Roadcare (M) Sdn Bhd, PG Hotel Sdn Bhd and THP Sinar Sdn Bhd.

Tan Sri Datuk Dr Hadenan is also the Group Business Advisor of Sinar Jernih Sdn Bhd, Chairman of the Operations Review Panel, Malaysian Anti-Corruption Commission, President Commissioner of Maybank Indocorp Indonesia, a member of Johor Corporation's Audit Committee and Director, Universiti Tun Abdul Razak Sdn Bhd.

Tan Sri Datuk Dr Hadenan was awarded the Asian Institute of Management Alumni Award (AAA) in 2003. He is also a Fellow Member of Association of International Accountants and Honorary Member, Institute of Internal Auditors Malaysia.

## Dato' Ir Chong Ket Pen

**Executive Vice Chairman / Group Managing Director**
Malaysian, Age 58

Dato' Ir Chong Ket Pen is the founder of Protasco Group.

He has been a Director of Protasco Berhad since 15 May 2001 and appointed to the post of Executive Vice Chairman on 20 February 2013. He is also the Group Managing Director of Protasco Group of Companies.

Following a BEng (Hons) degree from the University of Malaya in 1979, he obtained his Master of Philosophy (Civil Engineering) degree from the University of Birmingham, United Kingdom in 1990.

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

He began his career as Road Design Engineer cum Assistant Project Engineer at Public Works Department (PWD) Kelantan in 1979 and was promoted to the position of Project Engineer in 1982. He later became Senior Engineer at the Design and Research Branch of the PWD 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. He is a road pavement specialist, having extensive experience in the design, construction and maintenance of road pavement.

In 1991, he left the public sector to set the foundation for the establishment of Protasco Group of Companies.

## Dato' Mohd Hanif Bin Sher Mohamed

**Independent Non-Executive Director**
Malaysian, Age 61

Dato' Mohd Hanif Bin Sher Mohamed was appointed as Director of Protasco Berhad on 28 November 2012. He was also appointed the Chairman of the Nomination and Remuneration Committee on 20 February 2013 and is a member of the Audit Committee.

A graduate of Banking, Management and Marketing, he possesses a Master in Business Administration from the United Kingdom. He is a member of the Australian Management College, the British Institute of Management and the Institute of Credit Management, United Kingdom.

He is currently a Director of Credit Guarantee Corporation Berhad, Sivash Holdings Berhad, Danajamin Nasional Berhad and Credit Counselling and Debt Management Agency (AKPK).

Dato' Mohd Hanif was the former Chief Executive Officer of Credit Corporation (Malaysia) Berhad and Chairman of Entrepreneur Rehabilitation Fund (Tabung Pemulihan Usahawan). He was also Board Member of Persatuan Kanak-Kanak Spastik Selangor & Wilayah Persekutuan for over 27 years and was past President of the Royal Rotary Club of Kuala Lumpur.

Dato' Mohd Hanif has vast experience in corporate and consumer banking including strategic planning, risk management, rehabilitation and restructuring of debts.

# Directors' Profile
(continued)

## Ir Tan Heng Kui

**Non-Independent Non-Executive Director**
Malaysian, Age 56

Ir Tan Heng Kui was appointed Director of Protasco Berhad on 10 December 2012.

He obtained his Bachelor of Science (Honours) in Civil Engineering from University of Wales, United Kingdom and is a Professional Engineer registered with the Board of Engineers Malaysia. He is also a Chartered Engineer with the Engineering Council, United Kingdom and is an ASEAN Engineer.

He has been the Director of Kumpulan Ikram (Sabah) Sdn Bhd since 1997 and the Principal of Perunding Pertama Consulting Engineers since 1988. Ir Tan Heng Kui is also a Director at Incoprime Sdn Bhd and Press Metal Berhad from 1991 and 2001 respectively.

Ir Tan Heng Kui has more than 30 years of practical experiences in the local engineering industry, out of which he was involved in numerous water resources and waste water engineering projects. He was involved in various drainage improvements works including Kg. Likas in Kota Kinabalu and Sg. Sibuga in Sandakan and large water supply projects such as the 80 million liter per day (MLD) Telibong water supply project and the 40 MLD Kokopon water supply project in Papar, Sabah.

He was also involved in various waste water treatment projects such as the Sabah Sewerage Master Plan, Tawau Sewerage, Sandakan Sewerage and the Sipitang sewerage schemes.

His previous professional and community services includes holding various positions such as National Vice President of the Institution of Engineers Malaysia from 1999 to 2004 and past President of Sabah Engineers Association and the Rotary Club of Likas Bay. He was also the Chairman of IEM Sabah Branch from 1995 to 1997 and Chairman of the IEM Arbitration Nomination Committee and also the IEM Professional Practice Standing Committee from 1999 to 2004.

Ir Tan Heng Kui was a member of the Professional Practice Committee, Board of Engineers Malaysia from 2001 to 2004 and from 1995 to 2002 a member of Dewan Bandaraya Kota Kinabalu High Risk Building Committee.

## Ooi Kock Aun

**Independent Non-Executive Director**
Malaysian, Age 46

Ooi Kock Aun was appointed to the Protasco Berhad Board on 10 December 2012. He was also appointed a member of the Audit Committee on the same date.

He graduated with a Bachelor of Business (Distinction) from Curtin University of Technology, Perth, Australia and is a Certified Practising Accountant of the Australian Society of Certified Practising Accountant (now known as CPA Australia). He is also a Chartered Accountant of the Malaysian Institute of Accountants and a member of the Chartered Tax Institute of Malaysia.

Ooi Kock Aun is currently the Finance Director cum Chief Finance Officer of PT Inovisi Infracom Tbk, a company listed on the Indonesian Stock Exchange.

He started his career with Ernst & Young firm of Chartered Accountants in 1990 as a Tax Consultant and held this position for three years before moving on to the conglomerate and diversified Lion Group of Companies in Kuala Lumpur, Malaysia. At the Lion Group, he held various positions which includes the Group Corporate Planning Manager from 1998-2001 and the Group Tax Manager from 1995-1998.

His other experiences and appointments includes Global Financial Consultant at Visionquest International Group, an Australian based company; Director, Global Outreach Limited, Mauritius; and Director of Alpha Beyond Sdn Bhd, Malaysia.

## Tan Yee Boon

**Independent Non-Executive Director**
Malaysian, Age 38

Tan Yee Boon was appointed to the Protasco Board on 18 January 2013. He is also a member of the Nomination & Remuneration Committee since 19 February 2013.

He graduated with a Bachelor of Law (Honours) from University of Glamorgan, Wales and holds a Certificate of Legal Practice from Malaysia. He was admitted as an Advocate & Solicitor, High Court of Malaya in 1999.

Tan Yee Boon is a Director of Earnest Investments Holdings Limited, listed on Hong Kong Stock Exchange, since 2009.

Since 1999, he has been practising as an advocate and solicitor specialising in commercial and corporate related litigations and advisory works.

## Mohamad Farid Bin Mohd Yusof

**Independent Non-Executive Director**
Malaysian, Age 54

Mohamad Farid Bin Mohd Yusof was appointed to the Protasco Board on 18 January 2013 and appointed as a member of the Nomination & Remuneration Committee on 19 February 2013.

He obtained his Master in Business Administration from University of Northern Colorado in the United State of America.

Mohamad Farid began his career with the Bank of Commerce Berhad (now known as CIMB Bank Berhad) in 1984, specifically in the Banking Division where he was exposed to areas encompassing customer services; business development and maintenance; analysis of business opportunities and risk; financial analysis; loan portfolio management; loan recovery and restructuring; legal documentation; and planning, organising and control.

In 1995, he left the commercial banking sector to become the General Manager cum Head, Debt Capital Market Department of KAF Discounts Berhad (now known as KAF Investment Bank Berhad). There he was involved in assisting the management in formulating, implementing and monitoring effective and sound investment approval policies, guidelines and procedures, and overseeing the development and marketing of new business. He also assisted clients in project viability analysis and the arrangement of fund raising through the issuance of private debt securities such as bonds, medium-term notes and short-term commercial papers.

Mohamad Farid left KAF in early 2007 to set up his own corporate and business consultancy outfit to assist corporations in fund raising exercises and providing advisory services.

Mohamad Farid was the Chief Executive Officer of Primabaguz Sdn Bhd from November 2009 until June 2012, and a Director in its wholly owned subsidiaries PAP Cashnet (M) Sdn Bhd, PAP Marketing Sdn Bhd and Next Choice Sdn Bhd.

Notes:

(i) None of the Directors have any family relationship with each other and with any substantial shareholders of the Company.

(ii) None of the Directors have any conviction for offences, other than traffic offences, for the past 10 years.

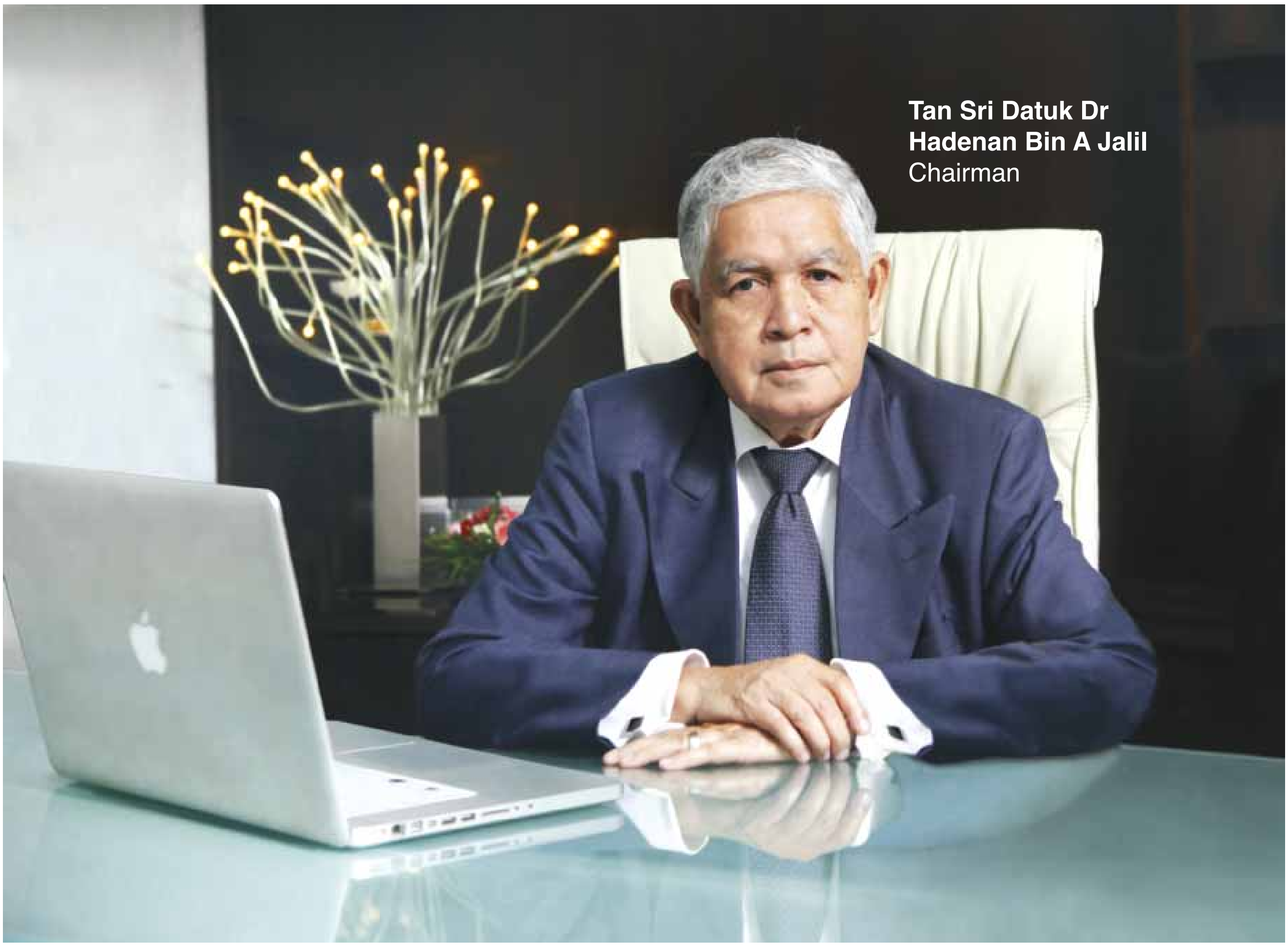
(iii) Other than Ir Tan Heng Kui interest in related party transactions as disclosed in Note 46 of the Financial Statements, none of the other Directors have conflict of interest with the Company.

(iv) Save for Tan Sri Datuk Dr Hadenan Bin A Jalil, Dato' Mohd Hanif Bin Sher Mohamed and Ir Tan Heng Kui, the other Directors do not hold any Directorship in other public listed companies in Malaysia.

(v) The Directors' holdings in shares of the Company are disclosed in the Analysis of Shareholdings section of the Annual Report. Other than Ir Tan Heng Kui, none of the other Directors hold any shares in the subsidiaries of the Company.

## DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors of Protasco Berhad, it gives me great pleasure to present to you the Annual Report of the Company and the Group for the financial year ended 31 December 2012.



**Tan Sri Datuk Dr Hadenan Bin A Jalil**
Chairman

**ECONOMIC ENVIRONMENT**

The global economic growth in 2012 moderated amid a more challenging environment as compared to 2011. Growth in advanced economies was uneven with the United States experiencing a fragile recovery and the Eurozone is still in recession mode. These affected international trade and resulted in a weaker global growth prospect and volatility in the international financial markets. Nonetheless, market sentiments improved toward the end of the year following commitments and measures taken by the European Central Bank in addressing the European sovereign debt crisis.

Notwithstanding the weaker sentiment abroad, the Malaysian economy expanded 5.6% in 2012 as compared to 5.1% in 2011. The growth was driven by strong domestic demand underpinned by higher consumption and investment spending. Higher consumption was mainly attributed to favourable income growth and supportive financing conditions while both private and public investments recorded growth of 22% and 17% respectively. The growth was a result from implementation of major infrastructure projects including those under the Economic Transformation Programme and improvement in the investment climate. This resulted in the construction sector recording its highest growth rate since 1995.

**REVIEW OF OPERATIONS**

For the financial year ended 31 December 2012, the Group recorded a revenue of RM794 million and net profit after taxation and non-controlling interest of RM37 million, representing an increase of 14% and 18% respectively as compared to the previous year. The increase was mainly due to higher contribution from the Construction and Maintenance Contracts segment.

Revenue and operating results for the Construction and Maintenance Contracts segment were RM577 million and RM104 million respectively. These represent a rise of 35% in revenue and 117% in operating results when compared to 2011. Higher contribution came from better performance in road maintenance works. The Group currently maintained about 14,000km of federal and state roads under five (5) long term road maintenance contracts and concessions.

Engineering Services segment posted a revenue of RM52.6 million and a marginal operating loss of RM335,000 in 2012 against RM85.5 million revenue and RM16.6 million operating profit in the previous year. The deterioration in results was mainly due to higher provision for doubtful debts and challenges faced by the segment from the expiry of the government concession in 2011.

Education and Training segment registered a very slight increase in revenue to RM49.2 million in 2012 from RM48.5 million in the previous year. Operating results fell 29% in 2012 to RM2.1 million from RM2.9 million in 2011. Operating expenses were higher in the preparation to upgrade the university college to a full-fledge university status.

Property Development segment posted lower revenue of RM1.6 million in 2012 against RM16.3 million in the previous year. Operating profit for 2012 was RM1 million against RM1.3 million in 2011. The drop was mainly due to full completion of Phase 1 Unipark Suria Condominium in 2012 as a substantial portion of the revenue and operating profit had already been recognised in previous years. At present, the newly launched De Centrum mixed development project is still at its initial stage of construction.

Trading segment recorded a dip in revenue to RM111 million from RM112 million in the previous year. Operating results dropped to RM0.8 million in 2012 against RM3.7 million in 2011 mainly due to higher provision for doubtful debts and inventory obsolescence.

**MOVING FORWARD**

Bank Negara has projected that the Malaysian economy is expected to remain on a steady growth path at a rate of 5% to 6% supported by strong domestic demand and gradual improvement in the external sector. Growth in the construction sector is projected to remain strong bolstered by the continuous implementation of major infrastructure projects.

Construction and Maintenance Contracts segment should continue to do well with additional contribution from the newly secured Perak state road maintenance contract.

Positive contribution is also expected from the Property Development segment. The first phase of the mix development De Centrum with Gross Development Value of about RM240 million is to be completed in 2015 and a portion of the revenue is expected to be recognised in 2013. Sales of units to date are better than expected. With the positive and encouraging market sentiment for properties in the Klang Valley, we foresee strong demand for the remaining units to be sold.

Despite challenges faced by the Engineering Services segment, we expect it to register a moderate profit in the current financial year with contribution from long term service agreements entered into with Tenaga Nasional Berhad and Datuk Bandar Kuala Lumpur for the provision of engineering services and capacity building.

The university arm of the Education segment had been upgraded from a university college to a full-fledged university status by the Ministry of Higher Education on 6 September 2012 and now known as Infrastructure University Kuala Lumpur. We expect better results from this segment with higher students' intake.

We continuously look for opportunity locally or overseas to expand the business of the Group in order to achieve a sustainable business model with diversified revenue stream and enhance the value of its shareholders. On our proposed acquisition of the oil and gas business in Indonesia, our consultants are still in the process of conducting the due diligence exercise.

**DIVIDENDS**

For the financial year ended 31 December 2012, the Company had paid an interim net dividend of 4 sen per share and a special interim net dividend of 6 sen per share. Both of these single tier dividends were paid on 28 December 2012. Subject to shareholders' approval at the forthcoming Annual General Meeting, the Directors are recommending a final single tier dividend of 4 sen per share, bringing the total dividend to 14 sen per share for the year 2012.

**APPRECIATION**

We wish to thank our past Directors too for their valuable contribution during their tenure as directors of the Company. We would also like to take the opportunity to extend a warm welcome to our newly appointed Board members, YBhg Dato' Mohd Hanif Bin Sher Mohamed, En Mohamad Farid Bin Mohd Yusof, Mr Ooi Kock Aun, Mr Tan Heng Kui and Mr Tan Yee Boon.

Our sincere gratitude goes to the Management Team lead by YBhg Dato' Ir Chong Ket Pen for his dedication and leadership in managing the Group. Last but not least, we also wish to register our sincere appreciation to our clients, bankers, shareholders, management and business associates for their continued strong support and confidence in us throughout 2012.

Thank you.

**TAN SRI DATUK DR HADENAN BIN A JALIL**
**Chairman**


# Statement on Corporate Social Responsibility

**Protasco Berhad is committed to preserve the interests of its clients, employees, shareholders and society, through practices of Corporate Social Responsibility (CSR). We therefore address and monitor aspects of CSR that are relevant to our business which include concern for employee welfare, care for the environment and community.**

**Protasco Berhad subscribes to the principles of Sustainable Development and continuously seeks to identify opportunities to bring about positive impacts from our activities to the environment and community at large.**

**OUR EMPLOYEES**

We believe that as a Group, our main assets are the talents and skills of the people we employ. The Group's policy is to attract, retain and motivate employees and encourages their contribution and development. Appropriate career paths, succession planning and internal recognition programmes are developed for both technical and non-technical staff.

Employees are provided with numerous learning and development opportunities to fulfill their potential. These development opportunities are structured to align with our organisational needs and objectives and to assist employee career aspirations.


1.


2.

At various subsidiaries of the Group, budgets are allocated for staff activities of their own choice. This is to encourage camaraderie between members of departments. The Group also provides a ringgit to ringgit contribution to the Protasco Welfare Club subscription fee. This allows for better club initiatives and encourages staff participation. The club organises sporting, recreational, charitable activities and also health screening programmes for its members.

Knowledge sharing has always been practised as part of the Group's work culture. Sharing sessions, public lectures as well as skills programmes are conducted for the employees. A sharing portal, the Protasco iPortal, a platform for staff to access and share information and communicate with each other, have been developed.


3.

## THE COMMUNITY

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

With our strength in various aspects of infrastructure, we have pledged a strong commitment towards providing education to the community through establishment of the Infrastructure University Kuala Lumpur (IUKL). Through IUKL, we are able to contribute to the community and the nation.

Excellent students continue to be rewarded with fee waiver on their following semester's tuition fee. This practice is in place as IUKL understands that with recognition and reward for hard work, students will be encouraged to strive even harder for personal success.

For the less fortunate, regular visits to welfare homes for the young and elderly are organised. The Group takes the opportunity to provide them with contributions in cash and in kind to alleviate some of their hardship. On an annual basis, a selected orphanage will be treated to the Group's breaking of fast feast held during the month of Ramadhan.


1. Protasco Berhad launched the "Healthy Body Healthy Mind 2013 Campaign" to promote a balanced lifestyle among its staff.
2. Programmes are held with various charity organisations to alleviate their hardship.
3. The Protasco Welfare Club continues to organise recreational and sports events for its members.
4. Environment friendly techniques are used in slope treatment.

## THE ENVIRONMENT

Commitment towards preserving the environment has been weaved into the Protasco Group's business practices from the beginning of its establishment. This is apparent from the very nature of its business as an engineering solutions provider, particularly in road maintenance and construction; and geotechnical services.

In road maintenance, the Group advocates environmentally sustainable practices by utilising the Hot-In-Place-Recycling Technology (HIPR) and the Cold-In-Place-Recycling Technology (CIPR).

Protasco Berhad's geotechnical services particularly in the treatment of slopes encourages the use of environment friendly techniques such the soil confinement systems that promote the growth of vegetation, therefore keeping the balance in the ecosystem.

# Calendar of Events

## MAY 2012

### KISB Signs a 5-year Long Term Service Agreement with Tenaga Nasional Berhad

Kumpulan Ikram Sdn Bhd (KISB) entered into a Long Term Service Agreement with Tenaga Nasional Berhad for the provision of engineering and capacity building services and such other services as may be agreed between the parties from time to time. The signing took place on 24 May 2012.

## JULY 2012

### Appointment of Chancellor and Pro-Chancellor of KLIUC

The Appointment Ceremony of the Chancellor and Pro-Chancellor of Kuala Lumpur Infrastructure University College [now known as Infrastructure University Kuala Lumpur (IUKL)] was held on 10 July 2012 at the University's Conference Hall.

YBhg Tan Sri Dato' Ir Dr Wan Abdul Rahman Bin Haji Wan Yaacob and YBhg Academician Dato' Ir Dr Lee Yee Cheong became the first Chancellor and Pro-Chancellor respectively.

## SEPTEMBER 2012

### Protasco Berhad Has A Full-Fledge University: Infrastructure University Kuala Lumpur

6 September 2012 marks a historical milestone for the academic arm of Protasco Berhad when Kuala Lumpur Infrastructure University College's (KLIUC) status was upgraded to a university. KLIUC is now known as Infrastructure University Kuala Lumpur (IUKL). To commemorate this event and the 14th anniversary of its establishment, a celebration was held at the University on 13 September 2012, and IUKL's new logo was unveiled for the first time to the public.

## NOVEMBER 2012

### IUKL Won Gold Medal at iENA 2012

At the 2012 International Trade Fair (iENA 2012) in Nuremburg, Germany, held on 1-4 November 2012, IUKL received a gold medal for its showcase of a research product on the reclamation and reuse of alum sludge.

The same research product was earlier exhibited at the 23rd International Invention, Innovation & Technology Exhibition (ITEX 2012) in Kuala Lumpur which won a gold medal for the University.


## NOVEMBER 2012

### IUKL achieved a Tier 5: Excellent Rating in SETARA 2011

Infrastructure University Kuala Lumpur (IUKL) achieved a Tier 5 (Excellent) Rating in SETARA 11. SETARA 11 is the rating system for Malaysian higher education institutions for year 2011.

The measurement of SETARA 11 is based on the quality of teaching and learning of the Malaysian Qualifications Framework (undergraduate level) in universities and university colleges in Malaysia. The SETARA 11 rating is used to set a policy in order to strengthen universities and college universities in Malaysia. SETARA 11 is managed by the Malaysian Qualification Agency (MQA).

Subsequently, in January 2013, IUKL received a D-SETARA rating of Tier 4 (Very Good) for the Engineering discipline.

## DECEMBER 2012

### De Centrum Opens a New Sales Gallery

A new sales gallery for the De Centrum City property development project was officially opened on 14 December 2012. The sales gallery has been designed to showcase a fully furnished three bedroom serviced apartment and a SOHO duplex unit. Various models of the development are exhibited together with the De Centrum City masterplan display.


## DECEMBER 2012

### Protasco Berhad Acquires Road Maintenance Job from Perak State Government

Empayar Indera Sdn Bhd, a subsidiary of Protasco Berhad, was awarded a 7-year road maintenance concession from the Perak state government. This award will see the Company expanding its road portfolio across the country.

The award is expected to contribute positively to the earnings and net assets of the Group from financial year ending 31 December, 2013.

## FEBRUARY 2013

### Protasco Tenpin Bowling Masters III 2013

The third Protasco Tenpin Bowling Masters Tournament was held on 2-3 February 2013 with 45 participating individuals and teams taking part. This annual event was organised by the Protasco Welfare Club.





# Geared for **Greater Growth**

We utilise our experience and expertise to accelerate growth. Our activities expand our organisation as well as nurture the personal development of countless individuals.

## MEMBERS OF THE AUDIT COMMITTEE

As at the date of this Annual Report, the composition of the Audit Committee is as follows:

**Members**

**Tan Sri Datuk Dr Hadenan Bin A Jalil**
Chairman *(Independent Non-Executive Director)*

**Dato' Mohd Hanif Bin Sher Mohamed**
Member *(Independent Non-Executive Director)*

**Ooi Kock Aun**
Member *(Independent Non-Executive Director)*

**Secretaries**

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

## TERMS OF REFERENCE

**Composition**

The Audit Committee members shall be appointed by the Board of Directors and comprises at least three (3) Directors, all of whom must be Non-Executive Directors, with a majority of them being Independent Directors. The composition of the Audit Committee shall fulfill the requirements as prescribed in the Listing Requirements of Bursa Malaysia.

**Authority**

The Audit Committee shall have the authority to investigate any activity of the Group within its terms of reference and shall have full and unrestricted access to the Group's information. The Committee is authorised to have resources which are required to perform its duties and have direct communication channels with the external auditors, internal auditors and all employees of the Group.

The Audit Committee may obtain independent professional advice and be able to convene meetings with external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

**Duties and Responsibilities**

**a) Internal Control System**

The Audit Committee is to:

i) Review general policies and procedures to reasonably assure the adequacy of internal accounting and financial reporting controls; and

ii) Make all necessary enquiries of management and external auditors concerning established standards of corporate conduct and performance, and deviations therefrom;

**b) Financial Reporting**

The Committee is to review:

i) The quarterly financial report and year-end financial statements prior to the Board's approval;

ii) With management and external auditors upon completion of their audit on the financial results for the year prior to release to the public.

**c) External Audit**

To review and report the same to the Board of Directors:

i) External audit plan, scope, evaluation on internal control system and their report;
ii) Assistance given by the management to the external auditors;
iii) Nomination of external auditors;
iv) Resignation of the external auditors and its written explanations, if any,

**d) Internal Audit**

To review:

i) Adequacy of the scope, functions, competency and resources of the Internal Audit Department and that it has the necessary authority to carry out its works;

ii) Annual audit plan, its progress and discuss the major issues raised in the internal audit reports.

**e) Related Party Transactions**

To review any related party transactions and conflict of interest that may arise within the Group including any transactions, procedures or course of conduct that raises questions of management integrity.

**f) Other Matters**

To perform or review such other matters as the Audit Committee considers necessary and as the Board of Directors may direct.

## MEETINGS

### Frequency and Quorum of Meetings

A minimum of four (4) meetings a year shall be conducted. The Committee shall also meet with the external auditors without the presence of Executive Board members at least two (2) times a year. A majority of Independent Directors present shall form a quorum. If necessary, members of management, Head of Internal Audit and representatives of the external auditors are to be present at the meeting.

### Attendance

The Audit Committee held four (4) meetings during the financial year under review, which have been attended by the former Audit Committee members. All of the current members were newly appointed and have not attended any meeting in 2012.

## SUMMARY OF ACTIVITIES

The main activities undertaken by the Committee during the year are as follows:

a) 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;

b) Review the progress of the internal audit plan and discuss the issues raised in the internal audit reports;

c) Review the financial quarterly results and annual financial statements of the Group and its subsidiaries prior to approval by the Board;

d) 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;

e) Consider any 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 the Audit Committee or the Management. Total costs incurred by the Department for the financial year ended 31 December 2012 were approximately RM250,000.00

None of the issues raised during audit review had any significant impact on the Group. All the issues raised had been addressed accordingly.

## 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.

## COMPLIANCE WITH THE CODE

The Company's Board of Directors (Board) is committed in ensuring that the Company practises good corporate governance in line with the principles, requirements, and best practices specified in the Malaysian Code on Corporate Governance 2012. In this regard, the Company conducts its affairs with transparency, integrity and professionalism with checks and balances in place to directly and indirectly benefit the Company and its stakeholders.

## BOARD OF DIRECTORS

### Roles and Responsibilities of the Board

The Company is led by a Board comprising members with a wide range of business, financial, technical, legal and public service experience. This depth and diversity in expertise and perspectives as reflected in the Directors' Profile from page 9 to page 11 bring vital ingredients necessary for the Company's strategic direction and guidance in the management of the various business activities undertaken by the Protasco Group of Companies (Group).

### The Board

The Board shares a common goal of providing the best total integrated solutions for our clients in road construction, maintenance, upgrading and rehabilitation; engineering services and consultancy, R&D, education and training, trading, construction and property development.

With the overall responsibility for the Company's strategic direction, the Board always strives to give due attention to matters pertaining to corporate strategy development and alignment, business operational execution and performance monitoring within the context of both internal and external factors in the marketplace.

### Composition of the Board and Board Balance

At present, there are seven (7) members of the Board comprising one (1) Executive and six (6) Non-Executive Directors. The ratio of Independent Directors to Non-Independent Directors is 5:2.

There is a balance in the Board with the presence of five (5) Independent Directors in the seven (7) member board with the necessary skills and experience. All the Independent Directors have neither business nor other relationships that could significantly interfere with the exercise of their independent judgment.

### Gender Diversity in the Boardroom

The Board recognises the benefits of gender diversity in the Boardroom which will promote greater diversity of thought and broader perspectives in approach. Although the Board does not endorse a specific target, it does commit itself to having representatives of women on the Board subject to identification of suitable candidates with appropriate skills.

### Directors Training

All Directors have attended and obtained certification from the Mandatory Accreditation Programme (MAP). In addition, they participated in conferences, seminars and training programmes to keep abreast with the changing commercial risks and development in the business environment as well as the new regulatory and statutory requirements to enhance their professionalism and knowledge so that they could effectively discharge their duties and obligations.

### Board Meetings

During the year under review, five (5) board meetings were held. Both Tan Sri Datuk Dr Hadenan Bin A Jalil and Dato' Ir Chong Ket Pen attended all five (5) meetings. The remaining five (5) Directors were appointed subsequent to the last meeting held in 2012.

### Access to Information and Advice

The Company provides the Board with full assistance and gives it complete access to necessary materials and relevant information. Together with proper counsel from qualified Company Secretaries and others, these have enabled the Board to discharge its functions properly. The Directors are also encouraged to and not prevented from making verifications and endorsements, and seeking external guidance.

### Nomination Committee and Its Processes

Protasco Berhad's Nomination Committee is made up of three (3) Independent Non-Executive Directors. The Nomination Committee is responsible to recommend identified candidate(s) to the Board if a vacancy on the Board is anticipated or otherwise occurs due to resignation, retirement or any other reasons or if there is a need to appoint additional Director(s) with the required skill or profession in order to close the competency gap in the Board.

The Nomination Committee shall strive for a structured assessment of individual members as well as of the Chairman of the Board to achieve a better balance in Board in terms of gender, age, background, experience and competency.

The Committee considers candidates for directorship identified from various sources such as the existing Directors, senior management staff, shareholders or third party referrals.

A Director candidate is evaluated by the Committee based on the basic criteria established by the Committee from time to time before the Committee recommends the candidate to the Board of Directors for its consideration.

The Committee takes into consideration many factors in evaluating Director candidates, including the individual's educational and professional background, employment record, whether the individual has any special experience in a relevant area, possession of the required skill and qualification, personal accomplishments and such other factors it deems appropriate. The Board, based on the recommendation of the Nomination Committee, would evaluate and decide on the appointment of the proposed candidates.

**Appointments & Re-Election of Directors**

In compliance with the Company's Articles of Association, at each Annual General Meeting, one-third (1/3) of Directors or if their number is not three (3), the number nearest to one-third (1/3), shall retire from office at least once in three (3) years. They however shall be eligible for re-election by the shareholders. The Directors to retire shall be those who have been longest in office since their last re-election or appointment.

The Company ensures the positions of the Chairman and the Group Managing Director of the Company are held by different individuals and that the Chairman post is non-executive post.

**Directors' Remuneration**

The remuneration of Directors is determined at a reasonable level for the Company, enabling it to attract and retain Directors with a good mix of relevant experiences and expertise.

Details of the Directors' Remuneration for the financial year ended 31 December 2012 are stipulated in the Financial Statements as set out on pages 77 and 78 of the Annual Report.

**Remuneration Policy**

Executive Directors

The remuneration of the Executive Directors shall be proposed and subject to review by the Remuneration Committee for Directors' approval. The Remuneration Committee shall take into consideration their responsibilities, scope of works, remuneration paid by other companies in a comparable sector and other relevant factors.

Executive Directors shall also be entitled to other standard benefits provided to employees of the Company such as company car, medical expenses, insurance coverage and other additional benefits if so proposed by the Remuneration Committee for the Board's approval.

Non-Executive Directors

The remuneration of Non-Executive Directors is determined by the Board which comprises the following:

| | |
|---|---|
| Director Fee | Non-Executive Directors receive fees. The fees are to be determined and recommended by the Board and to be approved by shareholders. |
| Meeting Allowance | Non-Executive Directors of the Company will receive meeting allowance for attending Board Committee meetings, Board meetings and general meetings. The meeting allowances are to be determined by the Board. |
| Other benefits | Non-Executive Directors of the Company are also entitled to other benefits provided to employees of the Company such as receiving discount for purchasing of property(ies) or product(s) developed or sold by the Company. |

**Board Charter**

The Protasco Berhad's Board Charter spells out the duties and responsibilities of all Board members in line with various legislations and regulations affecting their conduct. The Charter is available online at www.protasco.com.my.

**Directors Code of Conduct**

The Company is aware of its responsibility to conduct itself in all aspects of its business to the highest ethical standards. Its Code of Conduct sets out the Company's key rules and values that acts as guidelines for the Directors to make their decision.

The Code of Conduct is available online at www.protasco.com.my.

## REACHING OUT TO SHAREHOLDERS AND INVESTORS

The Company holds meetings with investors, journalists and financial analysts to update them on developments, obtain feedback and discuss matters of common interests.

In addition, the Company issues timely release of its financial results and other mandatory announcements and responds promptly to enquiries from investors, regulators, the public and financial analysts.

The Company also has a dedicated website, www.protasco.com.my, designed to assist its stakeholders. The Company has subscribed to Bursa Malaysia's website so that the Company's announcements made to Bursa Malaysia can be retrieved concurrently from both websites.

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

*Contact Person:*
Marina Jaal, General Manager, Corporate Communications Department
Tel: 603-8738 3282 Fax: 603-8926 4008 Email: ccd@protasco.com.my

### The Annual General Meeting (AGM)

The AGM is the main delivery channel for dialogue with all shareholders. They are encouraged and are given ample opportunities to enquire about the Groups' 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.

The information on Shareholders' Rights Relating to General Meeting is available at www.protasco.com.my.

The Board encourages poll voting for substantive resolutions. The Board will evaluate the feasibility of carrying out electronic polling at its general meetings in the future.

## CORPORATE DISCLOSURE

To ensure quality disclosure, the Company has a corporate disclosure policy to ensure accurate, clear and timely disclosure of material information and take reasonable steps to ensure that the general public has access to such information.

The Corporate Disclosure Policy is available at www.protasco.com.my.

## SUSTAINABILITY POLICY

The Company endeavors to operate its business in accordance with environmental, social and economic responsibility. This includes working within the law in order to be innovative and demonstrate initiative to meet the requirements of various stakeholders. The Company strives to achieve a sustainable long-term balance between meeting its business goals and preserving the environment. It recognises that the sustainability of the ecosystem is an integral part of sustaining its business.

The strategies to promote sustainability and its implementation can be found at the Company's website at www.protasco.com.my.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Directors are required by the Companies Act 1965 to ensure that financial statements prepared for each financial year provide a true and fair view of the Company and the Group. The Directors deliberate on financial statements and ensure that the Group has used appropriate accounting policies, supported by reasonable and prudent judgment and estimates. The Audit Committee assists the Board by scrutinising the information to be disclosed.

The Group's financial statements are presented in pages 37 to 94 of this Annual Report.

### Relationship with the Auditors

Through the Audit Committee of the Board, the Group has established a professional, transparent, and appropriate relationship with the Group's auditors, both internal and external, particularly in obtaining their professional advice towards ensuring full compliance with applicable 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 dispensing its responsibilities with respect to the adequacy and integrity of the system of internal control within the Group. A statement on Risk Management and Internal Control outlining the internal controls within the Group is presented on page 27 of this Annual Report.

## STATEMENT OF DIRECTOR'S RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act 1965 to prepare financial statements for each financial year in accordance with the applicable approved accounting standards in Malaysia, giving 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 flows of the Group and Company for the financial year ended.

The Directors have the responsibility to ensure that the Company keeps proper accounting records – disclosing with reasonable accuracy the financial position of the Group and Company and ensuring that the financial statements comply with the Companies Act 1965.

The Directors have overall responsibilities for undertaking necessary steps as are reasonably open to them to protect and 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 to keep the investing public well informed of the Groups' latest development.

## GOING CONCERN STATEMENT

Having exercised due and reasonable enquiry into the affairs of the Company, the Board is satisfied with the Company and shall proceed to operate as a going concern business in the foreseeable future.

# Statement on Risk Management and Internal Control

**"The Malaysian Code of Corporate Governance 2012 requires the Board of Directors (Board) to maintain a sound system of risk management and internal control to safeguard shareholders' investments and the Group's assets. Pursuant to Para 15.26(b) of Bursa Malaysia Securities Berhad (BMSB) Main Market Listing Requirements and guided by *Statement on Risk Management & Internal Control: Guidelines for Directors of Public Listed Companies (Guidelines)*, the Board is pleased to present the Statement on Risk Management and Internal Control for the financial year under review."**

**Responsibility**

The Board acknowledges its responsibility for the Group's system of internal controls and risk management which includes the establishment and reviewing the adequacy and integrity of the systems. The Board however recognises that this system is designed to manage rather than eliminate the risks completely. As such, it should be noted that it only provides reasonable against the occurrence of any material misstatement, operational failure, loss or fraud. In addition, the Group's system does not apply to associate companies where the Group does not have full management over them.

The Board has established ongoing processes for identifying the principal risks impeding the achievement of the organisation's goals and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. This process is reviewed by the Board, taking into account changes in the regulatory and business environment as guided by the Guidelines.

In accordance with the Guidelines, the Board assures that this process has been in place for the year under review and up to the date of issuance of the Annual Report.

**Risk Management Framework**

Risk management framework was established applicable to all functions in the Group; in operational, financials and support areas. The principal risks inherent to business units are reviewed and assessed and where necessary, appropriate actions are taken to manage those risks. The management and business units assist the Board in identifying, assessing, managing and monitoring the risks.

**Key Elements of Internal Control**

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

- The Audit Committee comprises Non-Executive Directors, all of whom are Independent Directors. The Committee primarily assist the Board in reviewing the organisational's risk with the assistance of the Internal Audit Department.

- Well-defined lines of responsibilities for the Board, management and each operating unit within the Group; including authorisation level on day-to-day operation.

- Each operating unit undertakes business planning and budgeting process each year which are appraised at regular interval.

- The Group's quarterly financial performance is presented to the Board for review and approval,

- Internal Audit Department performs periodic audits based on the approved audit plan to ascertain the adequacy and effectiveness of the internal control system.

- Human capital programmes which include staffs training, performance appraisal, succession planning and code of ethics.

**Conclusion**

The Board has received assurance from the Group Managing Director and Chief Financial Officer that the Company's risk management and internal control system is operating adequately and effectively in all material aspect.

For the financial year under review, the Board is in the opinion that the Group's system of internal controls is satisfactory. Any deficiencies identified have been or are being addressed accordingly. Notwithstanding this, review of the internal control system will be continuously carried out to ensure the ongoing effectiveness of the system.

**Review of the Statement by External Auditors**

This statement has been reviewed by the External Auditors for inclusion in the Annual Report of the Company for the year ended 31 December 2012 and reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal controls.

# Other Compliance Information

1. **Share Buy-back**

   The Company had at its Eleventh Annual General Meeting held on 20 June 2012 obtained approval of the shareholders in relation to the Share Buyback authority, whereby the Directors are authorised to purchase and/or hold at any point in time up to ten per cent (10%) of the issued and paid share capital of the Company for the time being quoted on the Bursa Malaysia Securities Berhad.

   For the financial year ended 31 December 2012, the Company purchased a total of 1,000 shares, all of which are retained as treasury shares. None of the shares purchased has been sold or cancelled. Details of the shares repurchased are set out below:

| Monthly Breakdown | No. of Ordinary Shares | Buy-back Price Per Share (RM) | | Average Cost Per Share (RM) | Total Cost (RM) |
|---|---|---|---|---|---|
| | | Lowest | Highest | | |
| August | 1,000 | 0.925 | 0.925 | 0.925 | 925 |
| **TOTAL** | 1,000 | | | | 925 |

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 sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies.

4. **Non-Audit Fees**

   There were no non-audit fees paid to the external auditors of the Group for the financial year ended 31 December 2012.

5. **Variation in Results for the Financial Year**

   There was no deviation of 10% or more between the profit after tax and non-controlling interests stated in the announced unaudited results and the audited financial statements of the Group for the financial year ended 31 December 2012.

6. **Profit Guarantee**

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

7. **Material Contracts**

   Other than as disclosed in the Note 46 of the Financial Statements, there is no material contracts entered into by the Company or its subsidiaries involving Directors' and major shareholders' interests since the end of previous financial year.

8. **Options, Warrants or Convertible Securities**

   The Company did not issue any options, warrants or convertible securities during the financial year ended 31 December 2012.

9. **Utilisation of Proceeds from Corporate Proposals**

   On 13 February 2013, the Company announced the placement of 20,833,210 new ordinary shares of RM0.50 each (PB Shares) and the listing of and quotation on the next day for the said new PB Shares on Bursa Securities at an issue price of RM1.10 per PB Share. The net proceeds of about RM22.8 million from the above mentioned placement has been fully utilised for working capital requirements.

# Financial Statements

# Directors' Report

The directors hereby submit their annual report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

| | The Group RM'000 | The Company RM'000 |
|---|---|---|
| Profit after taxation for the financial year | 71,215 | 41,402 |
| Attributable to: | | |
| Owners of the Company | 37,472 | 41,402 |
| Non-controlling interests | 33,743 | - |
| | 71,215 | 41,402 |

## DIVIDENDS

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

(a) an interim single tier dividend of 4 sen per ordinary share amounting to RM11,866,608 in respect of the financial year ended 31 December 2011;

(b) a final single tier dividend of 4 sen per ordinary share amounting to RM11,866,608 in respect of the previous financial year as proposed in the directors' report of that financial year;

(c) an interim single tier dividend of 4 sen per ordinary share amounting to RM11,866,568 in respect of the current financial year; and

(d) a special single tier dividend of 6 sen per ordinary share amounting to RM17,799,852 in respect of the current financial year.

At the forthcoming Annual General Meeting, the directors recommend a final single tier dividend of 4 sen per ordinary share in respect of the financial year ended 31 December 2012 amounting to approximately RM11,866,568 computed based on the issued and paid-up capital with voting rights as at 31 December 2012 of 296,664,200 ordinary shares of RM0.50 each. 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 as a liability in the financial year ending 31 December 2013.

## RESERVES AND PROVISIONS

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

## ISSUES OF SHARES AND DEBENTURES

During the financial year,

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

(b) there were no issues of debentures by the Company.

## TREASURY SHARES

During the financial year, the Company purchased 1,000 (2011 - 2,000) of its issued ordinary shares from the open market at RM0.92 (2011 - RM0.97 to RM1.09) per share. The total consideration paid for the purchase including transaction costs amounted to RM966 (2011 - RM2,143). The shares purchased were retained as treasury shares in accordance with the requirement of Section 67A of the Companies Act 1965 and presented as a deduction from equity.

As at 31 December 2012, the Company held as treasury shares a total of 3,335,800 (2011 - 3,334,800) of its 300,000,000 (2011 - 300,000,000) issued ordinary shares. The treasury shares are held at a carrying amount of RM2,834,683 (2011 - RM2,833,716) and further relevant details are disclosed in Note 23 to the financial statements.

## OPTIONS GRANTED OVER UNISSUED SHARES

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

## BAD AND DOUBTFUL DEBTS

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

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

## CURRENT ASSETS

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

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

## VALUATION METHODS

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

## CONTINGENT AND OTHER LIABILITIES

The contingent liabilities are disclosed in Note 45 to the financial statements. At the date of this report, there does not exist:-

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

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

## CHANGE OF CIRCUMSTANCES

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

## ITEMS OF AN UNUSUAL NATURE

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

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

## DIRECTORS

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

Tan Sri Datuk Dr Hadenan Bin A Jalil
Dato' Chong Ket Pen
Dato' Mohd Hanif Bin Sher Mohamed (Appointed on 28.11.2012)
Ooi Kock Aun (Appointed on 10.12.2012)
Tan Heng Kui (Appointed on 10.12.2012)
Mohamad Farid Bin Mohd Yusof (Appointed on 18.1.2013)
Tan Yee Boon (Appointed on 18.1.2013)
See Ah Sing (Appointed on 25.6.2012 and resigned on 28.11.2012)
Dato' Syed Sis Bin A Rahman (Appointed on 5.10.2012 and resigned on 28.11.2012)
Leong Kam Weng (Appointed on 5.10.2012 and resigned on 28.11.2012)
Dato' Hasnur Rabiain Bin Ismail (Resigned on 13.6.2012)
Datin Normah Binti Kassim (Resigned on 1.7.2012)
Benny Soh Seow Leng (Resigned on 8.10.2012)
Datin Azliza Binti Ahmad Tajuddin (Resigned on 8.10.2012)
Dato' Mohd Ibrahim Bin Mohd Nor (Resigned on 26.12.2012)

## DIRECTORS' INTERESTS

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

| | Number Of Ordinary Shares Of RM0.50 Each | | | |
|---|---|---|---|---|
| | **At 1.1.2012/ Date of Appointment** | **Bought** | **Sold** | **At 31.12.2012** |
| *Direct Interests* | | | | |
| Dato' Chong Ket Pen | 45,190,142 | - | - | 45,190,142 |
| Ooi Kock Aun | 9,000,000 | - | - | 9,000,000 |
| Tan Heng Kui | 592,900 | - | - | 592,900 |
| *Indirect Interests* | | | | |
| Dato' Chong Ket Pen | 728,500 | 108,500 | - | 837,000 |

By virtue of his interest in the Company, Dato' Chong Ket Pen is deemed to have interests in shares in the subsidiaries to the extent of the Company's interest, in accordance with Section 6A of the Companies Act 1965.

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

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 46 to the financial statements.

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

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 47 to the financial statements.

## SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 48 to the financial statements.

## AUDITORS

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

Signed in accordance with a resolution of the directors dated 26 April 2013

**Dato' Chong Ket Pen**

**Dato' Mohd Hanif Bin Sher Mohamed**

# Statement by Directors

We, Dato' Chong Ket Pen and Dato' Mohd Hanif Bin Sher Mohamed, being two of the directors of Protasco Berhad, state that, in the opinion of the directors, the financial statements set out on pages 37 to 94 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2012 and of their results and cash flows for the financial year ended on that date.

The supplementary information set out in Note 53, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors dated 26 April 2013

**Dato' Chong Ket Pen**

**Dato' Mohd Hanif Bin Sher Mohamed**

# Statutory Declaration

I, Muhammad Hafidzi Abu Bakar, being the officer primarily responsible for the financial management of Protasco Berhad, do solemnly and sincerely declare that the financial statements set out on pages 37 to 94 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by )
Muhammad Hafidzi Abu Bakar )
at Kuala Lumpur in the Federal Territory )
on this 26 April 2013 )

**Muhammad Hafidzi Abu Bakar**

Before me

Yap Lee Chin
W591
Commissioner for Oaths

# Independent Auditors' Report

to the members of Protasco Berhad
(Incorporated in Malaysia) Company No: 548078 - H

**Report on the Financial Statements**

We have audited the financial statements of Protasco Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 37 to 94.

*Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

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

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Reporting Requirements**

The supplementary information set out in Note 53 on page 95 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**Crowe Horwath**
Firm No: AF 1018
Chartered Accountants

**Lee Kok Wai**
Approval No: 2760/06/14 (J)
Chartered Accountant

30 April 2013

Kuala Lumpur

# Statements of Financial Position

at 31 December 2012

| | NOTE | The Group 2012 RM'000 | The Group 2011 RM'000 | The Company 2012 RM'000 | The Company 2011 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| NON-CURRENT ASSETS | | | | | |
| Investment in subsidiaries | 5 | **-** | - | **129,179** | 129,179 |
| Investment in associates | 6 | **96** | 2,587 | **-** | - |
| Property, plant and equipment | 7 | **178,819** | 185,517 | **3** | - |
| Land held for property development | 8 | **2,341** | 2,587 | **-** | - |
| Prepayment | 9 | **-** | 330 | **-** | - |
| Long-term investments | 10 | **195** | 330 | **-** | - |
| Goodwill | 11 | **-** | - | **-** | - |
| | | **181,451** | 191,351 | **129,182** | 129,179 |
| CURRENT ASSETS | | | | | |
| Inventories | 12 | **1,205** | 3,193 | **-** | - |
| Property development costs | 13 | **9,334** | 1,298 | **-** | - |
| Amount owing by contract customers | 14 | **4,386** | 5,466 | **-** | - |
| Trade receivables | 15 | **255,335** | 205,120 | **-** | - |
| Other receivables, deposits and prepayments | 16 | **85,859** | 30,629 | **50,005** | 7 |
| Amount owing by subsidiaries | 17 | **-** | - | **48,873** | 65,555 |
| Amount owing by associates | 18 | **2,664** | 336 | **-** | - |
| Tax recoverable | | **3,144** | 1,421 | **-** | - |
| Short-term investments | 19 | **6,377** | 30,901 | **-** | - |
| Deposits with licensed banks | 20 | **59,259** | 99,440 | **853** | 1,869 |
| Cash and bank balances | 21 | **90,307** | 90,546 | **780** | 10,474 |
| | | **517,870** | 468,350 | **100,511** | 77,905 |
| **TOTAL ASSETS** | | **699,321** | 659,701 | **229,693** | 207,084 |

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

# Statements of Financial Position

## at 31 December 2012 (continued)

| | NOTE | The Group 2012 RM'000 | The Group 2011 RM'000 | The Company 2012 RM'000 | The Company 2011 RM'000 |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| EQUITY | | | | | |
| Share capital | 22 | **150,000** | 150,000 | **150,000** | 150,000 |
| Treasury shares | 23 | **(2,835)** | (2,834) | **(2,835)** | (2,834) |
| Share premium | 24 | **43,531** | 43,531 | **43,531** | 43,531 |
| Foreign exchange translation reserve | 25 | **(9,440)** | (9,154) | **-** | - |
| Capital reserve | 26 | **8,600** | 8,600 | **-** | - |
| Retained profits | 27 | **164,108** | 168,169 | **1,584** | 1,715 |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | **353,964** | 358,312 | **192,280** | 192,412 |
| Non-controlling interests | | **46,552** | 27,330 | **-** | - |
| **TOTAL EQUITY** | | **400,516** | 385,642 | **192,280** | 192,412 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Deferred tax liabilities | 28 | **7,905** | 8,537 | **-** | - |
| Long-term borrowings | 29 | **4,325** | 3,961 | **-** | - |
| | | **12,230** | 12,498 | **-** | - |
| **CURRENT LIABILITIES** | | | | | |
| Trade payables | 32 | **185,958** | 167,266 | **-** | - |
| Other payables and accruals | 33 | **47,191** | 39,828 | **95** | 65 |
| Amount owing to subsidiaries | 17 | **-** | - | **34,500** | - |
| Dividend payable | | **-** | 11,867 | **-** | 11,867 |
| Provision for taxation | | **14,279** | 6,091 | **2,818** | 2,740 |
| Short-term borrowings | 34 | **37,968** | 33,614 | **-** | - |
| Bank overdrafts | 35 | **1,179** | 2,895 | **-** | - |
| | | **286,575** | 261,561 | **37,413** | 14,672 |
| **TOTAL LIABILITIES** | | **298,805** | 274,059 | **37,413** | 14,672 |
| **TOTAL EQUITY AND LIABILITIES** | | **699,321** | 659,701 | **229,693** | 207,084 |

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

# Statements of Comprehensive Income

for the financial year ended 31 December 2012

| | NOTE | The Group 2012 RM'000 | The Group 2011 RM'000 | The Company 2012 RM'000 | The Company 2011 RM'000 |
|---|---|---|---|---|---|
| REVENUE | 36 | **793,895** | 695,985 | **43,634** | 31,158 |
| COST OF SALES | | **(585,699)** | (526,599) | **-** | - |
| GROSS PROFIT | | **208,196** | 169,386 | **43,634** | 31,158 |
| OTHER INCOME | | **13,855** | 11,210 | **100** | 2,799 |
| ADMINISTRATIVE EXPENSES | | **(30,896)** | (34,264) | **(2,120)** | (1,707) |
| OTHER EXPENSES | | **(82,579)** | (72,022) | **-** | - |
| PROFIT FROM OPERATIONS | | **108,576** | 74,310 | **41,614** | 32,250 |
| FINANCE COSTS | | **(2,033)** | (2,106) | **-** | - |
| SHARE OF PROFIT IN ASSOCIATES | | **14** | - | **-** | - |
| PROFIT BEFORE TAXATION | 37 | **106,557** | 72,204 | **41,614** | 32,250 |
| INCOME TAX EXPENSE | 39 | **(35,342)** | (23,962) | **(212)** | (2,442) |
| PROFIT AFTER TAXATION | | **71,215** | 48,242 | **41,402** | 29,808 |
| OTHER COMPREHENSIVE EXPENSES | | | | | |
| - Fair value changes of available-for-sale financial assets | | **-** | 52 | **-** | - |
| - Share of associate's other comprehensive income | | **148** | - | **-** | - |
| - Foreign currency translation | | **(335)** | (610) | **-** | - |
| | | **(187)** | (558) | **-** | - |
| TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR | | **71,028** | 47,684 | **41,402** | 29,808 |
| **PROFIT AFTER TAXATION ATTRIBUTABLE TO:-** | | | | | |
| Owners of the Company | | **37,472** | 31,828 | **41,402** | 29,808 |
| Non-controlling interests | | **33,743** | 16,414 | **-** | - |
| | | **71,215** | 48,242 | **41,402** | 29,808 |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-** | | | | | |
| Owners of the Company | | **37,186** | 31,270 | **41,402** | 29,808 |
| Non-controlling interests | | **33,842** | 16,414 | **-** | - |
| | | **71,028** | 47,684 | **41,402** | 29,808 |
| **EARNINGS PER SHARE (SEN)** | 40 | | | | |
| Basic:- | | **12.63** | 10.73 | | |
| Diluted:- | | **N/A** | N/A | | |

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

# Statements of Changes in Equity

for the financial year ended 31 December 2012

| | Note | Share Capital RM'000 | Share Premium RM'000 | Treasury Shares RM'000 | Foreign Translation Reserve RM'000 | Fair Value Reserve RM'000 | Capital Reserve RM'000 | Retained Profits RM'000 | Attributable To Owners Of The Company RM'000 | Non-Controlling Interests RM'000 | Total Equity RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Non-Distributable | | | | | | Distributable | | | |
| **The Group** | | | | | | | | | | | |
| Balance at 1.1.2011 | | 150,000 | 43,531 | (2,831) | (8,544) | (52) | 8,600 | 163,041 | 353,745 | 35,870 | 389,615 |
| Profit after taxation for the financial year | | - | - | - | - | - | - | 31,828 | 31,828 | 16,414 | 48,242 |
| Other comprehensive income for the financial year: | | | | | | | | | | | |
| - Fair value changes of available-for-sale financial assets | | - | - | - | - | 52 | - | - | 52 | - | 52 |
| - Foreign currency translation | | - | - | - | (610) | - | - | - | (610) | - | (610) |
| Total comprehensive income for the financial year | | - | - | - | (610) | 52 | - | 31,828 | 31,270 | 16,414 | 47,684 |
| Balance carried forward | | 150,000 | 43,531 | (2,831) | (9,154) | - | 8,600 | 194,869 | 385,015 | 52,284 | 437,299 |

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

| | Note | Share Capital RM'000 | Share Premium RM'000 | Treasury Shares RM'000 | Foreign Translation Reserve RM'000 | Fair Value Reserve RM'000 | Capital Reserve RM'000 | Retained Profits RM'000 | Attributable To Owners Of The Company RM'000 | Non-Controlling Interests RM'000 | Total Equity RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | ← Non-Distributable | | | | | → | Distributable | | | |
| **The Group** | | | | | | | | | | | |
| Balance brought forward | | 150,000 | 43,531 | (2,831) | (9,154) | - | 8,600 | 194,869 | 385,015 | 52,284 | 437,299 |
| Contributions by and distribution to owners of the Company: | | | | | | | | | | | |
| - Treasury shares acquired | | - | - | (3) | - | - | - | - | (3) | - | (3) |
| - Dividends: | | | | | | | | | | | |
| - by the Company | 41 | - | - | - | - | - | - | (26,700) | (26,700) | - | (26,700) |
| - by subsidiaries to non-controlling interests | | - | - | - | - | - | - | - | - | (24,954) | (24,954) |
| Total transactions with owners of the Company | | - | - | (3) | - | - | - | (26,700) | (26,703) | (24,954) | (51,657) |
| Balance at 31.12.2011 | | 150,000 | 43,531 | (2,834) | (9,154) | - | 8,600 | 168,169 | 358,312 | 27,330 | 385,642 |

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

# Statements of Changes in Equity

for the financial year ended 31 December 2012 (continued)

| | Note | Share Capital RM'000 | Share Premium RM'000 | Treasury Shares RM'000 | Foreign Translation Reserve RM'000 | Fair Value Reserve RM'000 | Capital Reserve RM'000 | Retained Profits RM'000 | Attributable To Owners Of The Company RM'000 | Non-Controlling Interests RM'000 | Total Equity RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Non-Distributable | | | | | | Distributable | | | |
| **The Group** | | | | | | | | | | | |
| Balance at 1.1.2012 | | 150,000 | 43,531 | (2,834) | (9,154) | - | 8,600 | 168,169 | 358,312 | 27,330 | 385,642 |
| Profit after taxation for the financial year | | - | - | - | - | - | - | 37,472 | 37,472 | 33,743 | 71,215 |
| Other comprehensive income for the financial year: | | | | | | | | | | | |
| - Foreign currency translation | | - | - | - | (286) | - | - | - | (286) | (49) | (335) |
| - Share of associate's other comprehensive income | | - | - | - | - | - | - | - | - | 148 | 148 |
| Total comprehensive income for the financial year | | - | - | - | (286) | - | - | 37,472 | 37,186 | 33,842 | 71,028 |
| Balance carried forward | | 150,000 | 43,531 | (2,834) | (9,440) | - | 8,600 | 205,641 | 395,498 | 61,172 | 456,670 |

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

| | Note | Share Capital RM'000 | Share Premium RM'000 | Treasury Shares RM'000 | Foreign Translation Reserve RM'000 | Fair Value Reserve RM'000 | Capital Reserve RM'000 | Retained Profits RM'000 | Attributable To Owners Of The Company RM'000 | Non-Controlling Interests RM'000 | Total Equity RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | ← Non-Distributable | | | | | → | Distributable | | | |
| **The Group** | | | | | | | | | | | |
| Balance brought forward | | 150,000 | 43,531 | (2,834) | (9,440) | - | 8,600 | 205,641 | 395,498 | 61,172 | 456,670 |
| Contributions by and distribution to owners of the Company: | | | | | | | | | | | |
| - Treasury shares acquired | | - | - | (1) | - | - | - | - | (1) | - | (1) |
| - Dividends: | | | | | | | | | | | |
| - by the Company | 41 | - | - | - | - | - | - | (41,533) | (41,533) | - | (41,533) |
| - by subsidiaries to non-controlling interests | | - | - | - | - | - | - | - | - | (14,620) | (14,620) |
| Total transactions with owners of the Company | | - | - | (1) | - | - | - | (41,533) | (41,534) | (14,620) | (56,154) |
| Balance at 31.12.2012 | | 150,000 | 43,531 | (2,835) | (9,440) | - | 8,600 | 164,108 | 353,964 | 46,552 | 400,516 |

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

# Statements of Changes in Equity

for the financial year ended 31 December 2012 (continued)

| | Note | ← Non-Distributable | | → | Distributable |  |
|---|---|---|---|---|---|---|
| | | Share Capital RM'000 | Share Premium RM'000 | Treasury Shares RM'000 | (Accumulated Loss)/ Retained Profits RM'000 | Total Equity RM'000 |
| **The Company** | | | | | | |
| Balance at 1.1.2011 | | 150,000 | 43,531 | (2,831) | (1,393) | 189,307 |
| Profit after taxation/Total comprehensive income for the financial year | | - | - | - | 29,808 | 29,808 |
| Contributions by and distribution to owners of the Company: | | | | | | |
| - Treasury shares acquired | | - | - | (3) | - | (3) |
| - Dividends | 41 | - | - | - | (26,700) | (26,700) |
| **Balance at 31.12.2011/1.1.2012** | | **150,000** | **43,531** | **(2,834)** | **1,715** | **192,412** |
| Profit after taxation/Total comprehensive income for the financial year | | **-** | **-** | **-** | **41,402** | **41,402** |
| Contributions by and distribution to owners of the Company: | | | | | | |
| - Treasury shares acquired | | **-** | **-** | **(1)** | **-** | **(1)** |
| - Dividends | 41 | **-** | **-** | **-** | **(41,533)** | **(41,533)** |
| **Balance at 31.12.2012** | | **150,000** | **43,531** | **(2,835)** | **1,584** | **192,280** |

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

# Statements of Cash Flows

for the financial year ended 31 December 2012

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES | | | | |
| Profit before taxation | **106,557** | 72,204 | **41,614** | 32,250 |
| Adjustments for:- | | | | |
| Advances written off | **-** | 190 | **-** | - |
| Amortisation of prepayment | **440** | 440 | **-** | - |
| Allowance for foreseeable losses | **-** | 9,997 | **-** | - |
| Allowance for impairment losses on receivables | **11,508** | 7,346 | **-** | - |
| Bad debts written off | **66** | 62 | **-** | - |
| Deposits written off | **41** | - | **-** | - |
| Depreciation of property, plant and equipment | **25,855** | 15,452 | **1** | - |
| Impairment loss on amount owing by associates | **336** | - | **-** | - |
| Impairment loss on goodwill | **-** | 843 | **-** | - |
| Impairment loss on investment in associates | **2,678** | 2 | **-** | - |
| Impairment loss on long-term investments | **135** | 200 | **-** | - |
| Interest expense | **2,247** | 2,125 | **-** | - |
| Inventories written down | **1,090** | 811 | **-** | - |
| Inventories written off | **755** | 713 | **-** | - |
| Loss on revaluation on available-for-sale financial assets | **-** | 52 | **-** | - |
| Property, plant and equipment written off | **3,541** | 3,567 | **-** | - |
| Gain on derecognition of a subsidiary | **-** | (50) | **-** | - |
| Gain on disposal of investment in a subsidiary | **-** | - | **-** | (2,750) |
| Gain on disposal of property, plant and equipment | **(275)** | (1,686) | **-** | - |
| Gross dividends from subsidiaries | **-** | - | **(41,534)** | (29,115) |
| Interest income | **(3,201)** | (3,137) | **(99)** | (46) |
| Reversal of allowance for impairment losses on receivables | **(2,816)** | (1,455) | **-** | - |
| Writeback of allowance for impairment losses on trade receivables | **(3,622)** | (297) | **-** | - |
| Share of profit in associates | **(14)** | - | **-** | - |
| Tax-exempt dividends received from investment in unit trusts | **(875)** | (694) | **-** | - |
| Unrealised gain on foreign exchange | **(129)** | (155) | **-** | - |
| Waiver of debts | **(682)** | - | **-** | - |
| Operating profit/(loss) before working capital changes | **143,635** | 106,530 | **(18)** | 339 |
| Decrease/(Increase) in inventories | **143** | (729) | **-** | - |
| (Increase)/Decrease in property development costs | **(9,712)** | 108 | **-** | - |
| Decrease/(Increase) in amount owing by contract customers | **1,080** | (8,325) | **-** | - |
| (Increase)/Decrease in trade and other receivables | **(110,732)** | 6,422 | **(49,998)** | 46 |
| Increase/(Decrease) in trade and other payables | **26,737** | (9,546) | **29** | (210) |
| Decrease in amount owing by associates | **-** | 6,434 | **-** | - |
| CASH FROM/(FOR) OPERATIONS BALANCE BROUGHT FORWARD | **51,151** | 100,894 | **(49,987)** | 175 |

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

# Statements of Cash Flows

for the financial year ended 31 December 2012 (continued)

| | Note | The Group 2012 RM'000 | The Group 2011 RM'000 | The Company 2012 RM'000 | The Company 2011 RM'000 |
|---|---|---|---|---|---|
| CASH FROM/(FOR) OPERATIONS | | | | | |
| BALANCE CARRIED FORWARD | | **51,151** | 100,894 | **(49,987)** | 175 |
| Interest paid | | **(2,247)** | (2,116) | **-** | - |
| Tax paid | | **(29,511)** | (27,435) | **(133)** | (87) |
| NET CASH FROM/(FOR) OPERATING ACTIVITIES | | **19,393** | 71,343 | **(50,120)** | 88 |
| CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES | | | | | |
| Advances to associates | | **(2,664)** | - | **-** | - |
| Interest received | | **3,201** | 3,127 | **99** | 46 |
| Investment in an associate | | **-** | (45) | **-** | - |
| Net dividends received from subsidiaries | | **-** | - | **41,534** | 39,063 |
| Net cash inflow on derecognition of a subsidiary | | **-** | 50 | **-** | - |
| Net cash outflow on acquisition of a subsidiary | | **-** | (6) | **-** | - |
| Proceeds from disposal of property, plant and equipment | | **598** | 4,027 | **-** | - |
| Proceeds from disposal of unquoted shares | | **24,524** | 193 | **-** | - |
| Purchase of property, plant and equipment | 42 | **(22,000)** | (15,715) | **(3)** | - |
| Purchase of treasury shares | | **(1)** | (2) | **(1)** | (2) |
| Repayment from/(Advances to) subsidiaries | | **-** | - | **16,681** | (250) |
| Tax-exempt dividends received from investment in unit trusts | | **875** | 694 | **-** | - |
| Acquisition of marketable unit trusts | | **-** | (3,715) | **-** | - |
| NET CASH FROM/(FOR) INVESTING ACTIVITIES | | **4,533** | (11,392) | **58,310** | 38,857 |
| CASH FLOWS FOR FINANCING ACTIVITIES | | | | | |
| Advances from subsidiaries | | **-** | - | **34,500** | - |
| Dividends paid | | **(53,400)** | (29,667) | **(53,400)** | (29,667) |
| Dividends paid to non-controlling interests | | **(14,620)** | (24,954) | **-** | - |
| Repayment of hire purchase obligations | | **(1,537)** | (274) | **-** | - |
| Net drawdown of short-term borrowings | | **6,715** | 2,155 | **-** | - |
| NET CASH FOR FINANCING ACTIVITIES | | **(62,842)** | (52,740) | **(18,900)** | (29,667) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | **(38,916)** | 7,211 | **(10,710)** | 9,278 |
| FOREIGN EXCHANGE TRANSLATION DIFFERENCES | | **212** | (291) | **-** | - |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | | **187,091** | 180,171 | **12,343** | 3,065 |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR | 43 | **148,387** | 187,091 | **1,633** | 12,343 |

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

## 1. GENERAL INFORMATION

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

| | |
|---|---|
| Registered office | : 802, 8th Floor, Block C, Kelana Square,<br>17, Jalan SS7/26, 47301 Petaling Jaya,<br>Selangor Darul Ehsan. |
| Principal place of business | : Unipark Suria, Jalan Ikram-Uniten,<br>43000 Kajang, Selangor Darul Ehsan. |

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 26 April 2013.

## 2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## 3. BASIS OF PREPARATION

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

3.1 During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):-

**FRSs and IC Interpretations (including the Consequential Amendments)**

FRS 124 (Revised) Related Party Disclosures
Amendments to FRS 1 (Revised): Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7: Disclosures - Transfers of Financial Assets
Amendments to FRS 112: Recovery of Underlying Assets
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Company's financial statements except as follow:-

(a) FRS 124 (Revised) simplifies the definition of a related party and introduces a partial exemption from the disclosure requirements for government-related entities. The application of this revised standard has resulted in the identification of related parties that were not identified as related parties under the previous standard. Specifically, associates of the holding company are treated as related parties of the Company under the revised standard whilst such entities were not treated as related parties under the previous standard. The related party disclosures set out in Note 4.21 have been changed to reflect the application of the revised standard. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

(b) The amendments to FRS 7 (Transfers of Financial Assets) intend to provide greater transparency around risk exposures of transactions when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

**3. BASIS OF PREPARATION (continued)**

3.2 The Company has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

| FRSs and IC Interpretations (including the Consequential Amendments) | Effective date |
|---|---|
| FRS 9 Financial Instruments | 1 January 2015 |
| FRS 10 Consolidated Financial Statements | 1 January 2013 |
| FRS 11 Joint Arrangements | 1 January 2013 |
| FRS 12 Disclosure of Interests in Other Entities | 1 January 2013 |
| FRS 13 Fair Value Measurement | 1 January 2013 |
| FRS 119 (Revised) Employee Benefits | 1 January 2013 |
| FRS 127 (2011) Separate Financial Statements | 1 January 2013 |
| FRS 128 (2011) Investments in Associates and Joint Ventures | 1 January 2013 |
| Amendments to FRS 1 (Revised): Government Loans | 1 January 2013 |
| Amendments to FRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities | 1 January 2013 |
| Amendments to FRS 9: Mandatory Effective Date of FRS 9 and Transition Disclosures | 1 January 2015 |
| Amendments to FRS 10, FRS 11 and FRS 12: Transition Guidance | 1 January 2013 |
| Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities | 1 January 2014 |
| Amendments to FRS 101 (Revised): Presentation of Items of Other Comprehensive Income | 1 July 2012 |
| Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine | 1 January 2013 |
| Annual Improvements to FRSs 2009 - 2011 Cycle | 1 January 2013 |

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

(a) FRS 9 replaces the parts of FRS 139 that relate to the classification and measurement of financial instruments. FRS 9 divides all financial assets into 2 categories - those measured at amortised cost and those measured at fair value, based on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the FRS 139 requirement. An entity choosing to measure a financial liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. The effective date of this standard has been deferred from 1 January 2013 to 1 January 2015. Transitional provisions in FRS 9 were also amended to provide certain relief from retrospective adjustments. The amendment is expected to have no material impact on the financial statements of the Group upon initial application.

(b) FRS 10 replaces the consolidation guidance in FRS 127 and IC Interpretation 112. Under FRS 10, there is only one basis for consolidation, which is control. Extensive guidance has been provided in the standard to assist in the determination of control. The amendment is expected to have no material impact on the financial statements of the Group upon initial application.

(c) FRS 12 is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. FRS 12 is a disclosure standard and the disclosure requirements in this standard are more extensive than those in the current standards. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

(d) FRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. The scope of FRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other FRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in FRS 13 are more extensive than those required in the current standards and therefore there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

(e) The amendments to FRS 7 (Disclosures - Offsetting Financial Assets and Financial Liabilities) require disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendment is expected to have no material impact on the financial statement of the Group upon initial application.

(f) The amendments to FRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. In addition, items presented in other comprehensive income section are to be grouped based on whether they are potentially re-classifiable to profit or loss subsequently i.e. those that might be reclassified and those that will not be reclassified. Income tax on items of other comprehensive income is required to be allocated on the same basis. There will be no financial impact on the financial statements of the Group upon its initial application other than the presentation format of the statements of profit or loss and other comprehensive income.

(g) The Annual Improvements to FRSs 2009 - 2011 Cycle contain amendments to MFRS 1, MFRS 101, MFRS 116, MFRS 132 and MFRS 134. These amendments are expected to have no material impact on the financial statements of the Group/Company upon their initial application.

**3. BASIS OF PREPARATION (continued)**

3.3 On 19 November 2011, MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs") that are equivalent to International Financial Reporting Standards.

The MFRSs are to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 (Agriculture) and IC Interpretation 15 (Agreements for Construction of Real Estate), including its parent, significant investor and venturer (herein called "Transitioning Entities").

On 30 June 2012, MASB announced that the Transitioning Entities are allowed to defer the adoption of the MFRSs to annual periods beginning on or after 1 January 2014 after which the MFRSs will become mandatory. The Group falls within the definition of Transitioning Entities and has opted to prepare its first MFRSs financial statements for the financial year ending 31 December 2014.

In representing its first MFRSs financial statements, the Group will quantify the financial effects of the differences between the current FRSs and MFRSs. The Group has commenced transitioning its accounting policies and financial reporting from the current FRSs to MFRSs. However, the Group has not completed its quantification of the financial effects of the differences between FRSs and MFRSs due to the ongoing assessment by the management. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group expects to be in a position to fully comply with the requirements of MFRSs for the financial year ending 31 December 2014.

**4. SIGNIFICANT ACCOUNTING POLICIES**

**4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

**(a) Depreciation of Property, Plant and Equipment**

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

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

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

**(b) Income Taxes**

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

**(c) Impairment of Non-financial Assets**

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

4. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

4.1 **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

(d) **Construction Contracts**

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

(i) Contract Revenue

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

(ii) Contract Costs

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

(e) **Property Development**

The Group recognises property development revenue and expenses in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that the property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

(f) **Impairment of Trade and Other Receivables**

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(g) **Write-down of Inventories**

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

(h) **Impairment of Available-for-sale Financial Assets**

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(i) **Classification of Leasehold Land**

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(j) **Fair Value Estimates for Certain Financial Assets and Liabilities**

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

**(k) Impairment of Goodwill**

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

**4.2 BASIS OF CONSOLIDATION**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2012.

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

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Transactions with non-controlling interests are accounted for as transactions with owners and are recognised directly in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

Upon loss of control of a subsidiary, the profit or loss on disposal is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 127 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations from 1 January 2011 onwards

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Company at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.2 BASIS OF CONSOLIDATION (continued)**

Business combinations before 1 January 2011

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

Non-controlling interests are initially measured at their share of the fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition.

**4.3 GOODWILL**

Goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition.

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

Business combinations from 1 January 2011 onwards

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

Business combinations before 1 January 2011

Under the purchase method, goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition.

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

**4.4 FUNCTIONAL AND FOREIGN CURRENCIES**

**(a) Functional and Presentation Currency**

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

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

**(b) Transactions and Balances**

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.4 FUNCTIONAL AND FOREIGN CURRENCIES (continued)**

**(c) Foreign Operations**

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under translation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

**4.5 FINANCIAL INSTRUMENTS**

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

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

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

**(a) Financial Assets**

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Company's right to receive payment is established.

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.5 FINANCIAL INSTRUMENTS**

**(a) Financial Assets**

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

**(b) Financial Liabilities**

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

**(c) Equity Instruments**

Instruments classified as equity are measured at cost and are not remeasured subsequently.

(i) Ordinary Shares

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

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

(ii) Treasury Shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

Where such shares are subsequently sold or reissued, any consideration received, net of any direct costs, is included in equity.

**4.6 INVESTMENTS IN SUBSIDIARIES**

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.7 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the Group has a long term equity interest and where it exercise significant influence over the financial and operating policies.

The investment in an associate is accounted for in the consolidated statement of financial position using the equity method, based on the financial statements of the associate made up to 31 December 2012. The Group's share of the post acquisition profits of the associate is included in the consolidated statement of comprehensive income and the Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post acquisition retained profits and reserves.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

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

On the disposal of the investments in associates, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

### 4.8 PROPERTY, PLANT AND EQUIPMENT

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

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

| | |
|---|---|
| Buildings | 2% |
| Leasehold land | Over the lease period of 99 years |
| Renovation | 10% - 33.33% |
| Reference books, office equipment, furniture and fittings | 10% - 33.33% |
| Motor vehicles | 12.50% - 20% |
| Laboratory equipment, plant and machinery | 12.50% - 20% |

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

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

### 4.9 LAND HELD FOR PROPERTY DEVELOPMENT

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.10 PROPERTY DEVELOPMENT COSTS

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

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

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

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

### 4.11 IMPAIRMENT

**(a) Impairment of Financial Assets**

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

**(b) Impairment of Non-Financial Assets**

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.12 ASSETS UNDER HIRE PURCHASE

Assets acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 4.8 above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

### 4.13 INVENTORIES

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

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

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

### 4.14 AMOUNTS OWING BY/TO CONTRACT CUSTOMERS

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

### 4.15 PROVISIONS

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

### 4.16 PROGRESS BILLINGS/ACCRUED BILLINGS

In respect of progress billings:-

(i) where revenue recognised in profit or loss exceeds the billings to purchasers, the balance is shown as accrued billings under current assets; and

(ii) where billings to purchasers exceed the revenue recognised to profit or loss, the balance is shown as progress billings under current liabilities.

### 4.17 INCOME TAXES

Income tax 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 or substantively enacted at the end of the reporting period.

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

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.17 INCOME TAXES (continued)

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

### 4.18 BORROWING COSTS

Borrowing costs, directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

### 4.19 CASH AND CASH EQUIVALENTS

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

### 4.20 EMPLOYEE BENEFITS

**(a) Short-term Benefits**

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

**(b) Defined Contribution Plans**

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

### 4.21 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:-

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.22 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

### 4.23 CONTINGENT LIABILITIES

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

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

### 4.24 REVENUE AND OTHER INCOME

**(a) Sale of Goods**

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

**(b) Services**

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

**(c) 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.

**(d) Construction Contracts**

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

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

**(e) Property Development**

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

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

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

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

**(f) Dividend Income**

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

**(g) Interest Income**

Interest income is recognised on an accrual basis using the effective interest method.

**(h) Management Fee**

Management fee is recognised when services are rendered.

**(i) Rental Income**

Rental income is recognised on an accrual basis.

## 5. INVESTMENT IN SUBSIDIARIES

| | The Company 2012 RM'000 | 2011 RM'000 |
|---|---|---|
| Unquoted shares, at cost | **129,179** | 129,429 |
| Derecognised during the financial year | **-** | (250) |
| | **129,179** | 129,179 |

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

| Name of Company | Country of Incorporation | Effective Equity Interest 2012 % | 2011 % | Principal Activities |
|---|---|---|---|---|
| HCM Engineering Sdn. Bhd. | Malaysia | **100** | 100 | Road construction, rehabilitation and maintenance. |
| Kumpulan Ikram Sdn. Bhd. | Malaysia | **100** | 100 | Training, geotechnical laboratory, structural and material testing, soil investigation, research and development, listing of building materials, engineering and technical related activities and services. |
| Protasco Trading Sdn. Bhd. | Malaysia | **100** | 100 | Trading of construction materials and petroleum products. |
| Protasco Infra Sdn. Bhd. | Malaysia | **100** | 100 | Infrastructure and related works. |
| Protasco Development Sdn. Bhd. | Malaysia | **100** | 100 | Investment holding. |

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

| Name of Company | Country of Incorporation | Effective Equity Interest 2012 % | 2011 % | Principal Activities |
|---|---|---|---|---|
| Roadcare (M) Sdn. Bhd.* | Malaysia | **51** | 51 | Road maintenance and rehabilitation. |
| HCM-TH Technologies Sdn. Bhd. | Malaysia | **70** | 70 | Dormant. |
| HCM Engineering-Isyoda JV Sdn. Bhd. | Malaysia | **100** | 100 | Dormant. |
| HCM-Ikhtisas Sdn. Bhd.* | Malaysia | **60** | 60 | Investment holding. |
| HCM (L) Bhd.* | FT Labuan | **100** | 100 | Renting out machines. |
| HCM-Molek JV Sdn. Bhd.* | Malaysia | **60** | 60 | Road maintenance and rehabilitation. |
| HCM Arabia Sdn. Bhd.* | Malaysia | **60** | 60 | Road maintenance and rehabilitation. |
| KPS-HCM Sdn. Bhd. | Malaysia | **70** | 70 | Road maintenance and rehabilitation. |
| Permint Granite-HCM Sdn. Bhd. | Malaysia | **70** | 70 | Road maintenance and rehabilitation. |
| HCM Kasturi Sdn. Bhd. | Malaysia | **100** | 100 | Dormant. |
| Alkatech Sdn. Bhd. | Malaysia | **100** | 100 | Dormant. |
| Makmur Bersih Sdn. Bhd. | Malaysia | **60** | 60 | Dormant. |
| Empayar Indera Sdn. Bhd. | Malaysia | **51** | 51 | Dormant. |

**5. INVESTMENT IN SUBSIDIARIES (continued)**

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

| Name of Company | Country of Incorporation | Effective Equity Interest 2012 % | 2011 % | Principal Activities |
|---|---|---|---|---|
| Global Traders Ltd.* | FT Labuan | **100** | 100 | Dormant. |

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

| Name of Company | Country of Incorporation | Effective Equity Interest 2012 % | 2011 % | Principal Activities |
|---|---|---|---|---|
| Ikram Engineering Services Sdn. Bhd. | Malaysia | **100** | 100 | Site investigation and soil testing services. |
| Kumpulan Ikram (Sabah) Sdn. Bhd.* | Malaysia | **60** | 60 | Site investigation and soil testing services. |
| Ikram Education Sdn. Bhd. | Malaysia | **100** | 100 | Educational services. |
| Ikram Latihan Sdn. Bhd. | Malaysia | **100** | 100 | Training courses. |
| Ikram Infrastructure Asset Management Sdn. Bhd. | Malaysia | **100** | 100 | Provision of structural and material testing. |
| Ikram QA Services Sdn. Bhd. | Malaysia | **100** | 100 | Certification and listing of products. |
| Kumpulan Ikram (Sarawak) Sdn. Bhd.* | Malaysia | **60** | 60 | Site investigation and soil testing services. |
| Ikram Paves Sdn. Bhd. | Malaysia | **100** | 100 | Provision of evaluation and testing services for road pavement. |
| Ikram Libyana Sdn. Bhd. | Malaysia | **60** | 60 | Dormant. |
| Ikram Greentech Sdn. Bhd. | Malaysia | **100** | 100 | Provision of green technology services. |
| Ikram International Sdn. Bhd. | Malaysia | **100** | 100 | Overseas operations. |

Details of a subsidiary held through Ikram Latihan Sdn. Bhd. are as follows:-

| Name of Company | Country of Incorporation | Effective Equity Interest 2012 % | 2011 % | Principal Activities |
|---|---|---|---|---|
| Ikram Skills Academy Sdn. Bhd. | Malaysia | **100** | 100 | Provision of skills training courses. |

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

| Name of Company | Country of Incorporation | Effective Equity Interest 2012 % | 2011 % | Principal Activities |
|---|---|---|---|---|
| QP Industries Sdn. Bhd.* | Malaysia | **100** | 100 | Production of pavement materials. |
| Protasco Enterprise SA (Pty) Ltd.*# | South Africa | **100** | 100 | Investment holding. |
| Linktel Communication Sdn. Bhd.* | Malaysia | **100** | 100 | Distributor of mobile phone/digital products. |
| Ximax Communication Sdn. Bhd.* | Malaysia | **100** | 100 | Investment holding. |

**5. INVESTMENT IN SUBSIDIARIES (continued)**

Details of a subsidiary held through Ximax Communication Sdn. Bhd. are as follows:-

| Name of Company | Country of Incorporation | Effective Equity Interest 2012 % | 2011 % | Principal Activities |
|---|---|---|---|---|
| Ximax Communications Co. Ltd.* | Hong Kong | **100** | 100 | Trading in mobile phones and related products. |

Details of a subsidiary held through Ximax Communications Co. Ltd. are as follows:-

| Name of Company | Country of Incorporation | Effective Equity Interest 2012 % | 2011 % | Principal Activities |
|---|---|---|---|---|
| Ximax Communications (Shenzhen) Co. Ltd.* | China | **100** | 100 | Dormant. |

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

| Name of Company | Country of Incorporation | Effective Equity Interest 2012 % | 2011 % | Principal Activities |
|---|---|---|---|---|
| Protasco Land Sdn. Bhd | Malaysia | **100** | 100 | Property development. |
| De Centrum Development Sdn. Bhd. | Malaysia | **100** | 100 | Property development. |

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

| Name of Company | Country of Incorporation | Effective Equity Interest 2012 % | 2011 % | Principal Activities |
|---|---|---|---|---|
| Protasco Land SA (Pty) Ltd.* | South Africa | **70** | 70 | Property development. |

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

| Name of Company | Country of Incorporation | Effective Equity Interest 2012 % | 2011 % | Principal Activities |
|---|---|---|---|---|
| Hainan Protasco Engineering Co. Ltd.* | China | **100** | 100 | Investment holding. |
| Ikram Masterbuilder Sdn. Bhd. | Malaysia | **100** | 100 | Building construction. |
| Infra Water Sdn. Bhd. | Malaysia | **55** | 55 | Dormant. |

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

| Name of Company | Country of Incorporation | Effective Equity Interest 2012 % | 2011 % | Principal Activities |
|---|---|---|---|---|
| Hainan Rifu Resources Co. Ltd.* | China | **82** | 82 | Dormant. |

* Audited by firms of auditors other than Messrs. Crowe Horwath.
\# Being struck off from the register by the Companies Registry in South Africa on 8 March 2013, as disclosed in Note 48(b) to the financial statements.

## 6. INVESTMENT IN ASSOCIATES

| | The Group 2012 RM'000 | 2011 RM'000 |
|---|---|---|
| Unquoted shares, at cost | | |
| At 1 January | **1,527** | 1,482 |
| Addition during the financial year | **-** | 45 |
| At 31 December | **1,527** | 1,527 |
| Share of post acquisition profits | **1,650** | 1,636 |
| Foreign exchange translation reserve | **(400)** | (436) |
| | **2,777** | 2,727 |
| Redeemable preference shares | **1,400** | 1,400 |
| | **4,177** | 4,127 |
| Accumulated impairment losses | **(4,081)** | (1,540) |
| At 31 December | **96** | 2,587 |
| Accumulated impairment losses:- | | |
| At 1 January | **(1,540)** | (1,538) |
| Addition during the financial year | **(2,678)** | (2) |
| Write-off during the financial year | **137** | - |
| At 31 December | **(4,081)** | (1,540) |

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

| Name of Company | Country of Incorporation | Effective Equity Interest 2012 % | 2011 % | Principal Activities |
|---|---|---|---|---|
| THT-HCM JV Sdn. Bhd.* | Malaysia | **40** | 40 | Dormant. |
| Protasco Engineering International Ltd.* | South Africa | **49** | 49 | Dormant. |

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

| Name of Company | Country of Incorporation | Effective Equity Interest 2012 % | 2011 % | Principal Activities |
|---|---|---|---|---|
| Libyan Malaysian Company for Roads and Construction | Libya | **49** | 49 | Construction and maintenance. |

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

| Name of Company | Country of Incorporation | Effective Equity Interest 2012 % | 2011 % | Principal Activities |
|---|---|---|---|---|
| Ikram Premier Consulting Sdn. Bhd. | Malaysia | **30** | 30 | Lab or material testing, site investigation, special geotechnical works and other consultancy services. |

* The results of these associates have not been equity accounted as the companies are dormant and the amounts involved are insignificant.

**6. INVESTMENT IN ASSOCIATES (continued)**

The summarised unaudited financial information of the associate, not adjusted for the percentage ownership held by the Group, is as follows:-

| | The Group | |
|---|---|---|
| | **2012 RM'000** | **2011 RM'000** |
| **Assets and Liabilities** | | |
| Current assets | **30,899** | 29,271 |
| Non-current assets | **639** | 676 |
| Total assets | **31,538** | 29,947 |
| Current liabilities/Total liabilities | **25,876** | 23,919 |
| **Results** | | |
| Revenue | **4,132** | - |
| Profit/(Loss) for the financial year | **45** | (11) |

## 7. PROPERTY, PLANT AND EQUIPMENT

| The Group | Freehold Land RM'000 | Leasehold Land RM'000 | Buildings RM'000 | Renovation RM'000 | Reference Books, Office Equipment, Furniture And Fittings RM'000 | Laboratory Equipment, Plant And Machinery RM'000 | Motor Vehicles RM'000 | Capital Work-In-Progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **At Cost** | | | | | | | | | |
| At 1.1.2012 | 69,877 | 4,804 | 55,586 | 17,502 | 48,295 | 132,444 | 39,844 | 979 | 369,331 |
| Additions | 411 | - | 1,246 | 1,246 | 3,412 | 7,956 | 8,945 | - | 23,216 |
| Disposals | - | - | - | - | (121) | (140) | (2,553) | - | (2,814) |
| Written off | - | - | (39) | (565) | (2,359) | (4,327) | (2,651) | - | (9,941) |
| Reclassification | - | - | 879 | - | - | - | - | (879) | - |
| Exchange rate differences | - | - | - | (13) | (10) | (172) | (45) | - | (240) |
| At 31.12.2012 | 70,288 | 4,804 | 57,672 | 18,170 | 49,217 | 135,761 | 43,540 | 100 | 379,552 |
| **Accumulated Depreciation** | | | | | | | | | |
| At 1.1.2012 | - | 623 | 8,431 | 11,596 | 39,292 | 98,223 | 25,649 | - | 183,814 |
| Charge for the financial year | - | 92 | 1,188 | 1,381 | 2,900 | 16,801 | 3,493 | - | 25,855 |
| Disposals | - | - | - | - | (56) | (3) | (2,432) | - | (2,491) |
| Written off | - | - | (39) | (465) | (2,133) | (1,837) | (1,926) | - | (6,400) |
| Exchange rate differences | - | - | - | (10) | (7) | (2) | (26) | - | (45) |
| At 31.12.2012 | - | 715 | 9,580 | 12,502 | 39,996 | 113,182 | 24,758 | - | 200,733 |
| **Net Book Value** | 70,288 | 4,089 | 48,092 | 5,668 | 9,221 | 22,579 | 18,782 | 100 | 178,819 |

## 7. PROPERTY, PLANT AND EQUIPMENT (continued)

| The Group | Freehold Land RM'000 | Leasehold Land RM'000 | Buildings RM'000 | Renovation RM'000 | Reference Books, Office Equipment, Furniture And Fittings RM'000 | Laboratory Equipment, Plant And Machinery RM'000 | Motor Vehicles RM'000 | Capital Work-In-Progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **At Cost** | | | | | | | | | |
| At 1.1.2011 | 69,878 | 8,109 | 55,268 | 14,215 | 46,483 | 131,707 | 38,421 | - | 364,081 |
| Additions | 2,121 | - | 318 | 3,248 | 2,670 | 3,876 | 3,540 | 979 | 16,752 |
| Disposals | (2,122) | - | - | (36) | (261) | (53) | (1,630) | - | (4,102) |
| Written off | - | (3,305) | - | (74) | (480) | (3,434) | (551) | - | (7,844) |
| Reclassification | - | - | - | 131 | (131) | - | - | - | - |
| Exchange rate differences | - | - | - | 18 | 14 | 348 | 64 | - | 444 |
| At 31.12.2011 | 69,877 | 4,804 | 55,586 | 17,502 | 48,295 | 132,444 | 39,844 | 979 | 369,331 |
| **Accumulated Depreciation** | | | | | | | | | |
| At 1.1.2011 | - | 1,425 | 7,323 | 10,192 | 37,347 | 91,926 | 24,776 | - | 172,989 |
| Charge for the financial year | - | 92 | 1,108 | 1,298 | 2,705 | 8,928 | 2,554 | - | 16,685 |
| Disposals | - | - | - | (18) | (209) | (50) | (1,482) | - | (1,759) |
| Written off | - | (894) | - | (39) | (407) | (2,708) | (229) | - | (4,277) |
| Reclassification | - | - | - | 152 | (152) | - | - | - | - |
| Exchange rate differences | - | - | - | 11 | 8 | 127 | 30 | - | 176 |
| At 31.12.2011 | - | 623 | 8,431 | 11,596 | 39,292 | 98,223 | 25,649 | - | 183,814 |
| **Net Book Value** | 69,877 | 4,181 | 47,155 | 5,906 | 9,003 | 34,221 | 14,195 | 979 | 185,517 |

## 7. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Reference Books, Office Equipment, Furniture And Fittings |
|---|---|
| **The Company** | |
| **At Cost:-** | |
| At 1.1.2012 | - |
| Additions | 4 |
| At 31.12.2012 | 4 |
| **Accumulated depreciation** | |
| At 1.1.2012 | - |
| Charge for the financial year | 1 |
| At 31.12.2012 | 1 |
| **Net book value** | 3 |

Certain property, plant and equipment of the Group with a total net book value of RM6,249,986 (2011 - RM6,698,662) are held under hire purchase arrangements.

Certain property, plant and equipment of the Group with a total net book value of RM103,563,091 (2011 - RM103,112,433) were pledged to financial institutions as security for credit facilities granted as disclosed in Note 34.

## 8. LAND HELD FOR PROPERTY DEVELOPMENT

| | The Group | |
|---|---|---|
| | 2012 RM'000 | 2011 RM'000 |
| At Cost:- | | |
| Development expenditure | | |
| At 1 January | **2,587** | 3,092 |
| Exchange rate differences | **(246)** | (505) |
| At 31 December | **2,341** | 2,587 |

## 9. PREPAYMENT

| | The Group | |
|---|---|---|
| | 2012 RM'000 | 2011 RM'000 |
| At Cost | **2,200** | 2,200 |
| Accumulated amortisation:- | | |
| At 1 January | **(1,430)** | (990) |
| Amortisation for the financial year | **(440)** | (440) |
| At 31 December | **(1,870)** | (1,430) |
| Net book value at 31 December | **330** | 770 |
| Represented by:- | | |
| Current portion | **330** | 440 |
| Non-current portion | **-** | 330 |
| | **330** | 770 |

Prepayment represents amount paid in advance to a consultant for services rendered to the Company and is amortised over the period of the service.

## 10. LONG-TERM INVESTMENTS

| | The Group 2012 RM'000 | The Group 2011 RM'000 |
|---|---|---|
| At Cost:- | | |
| Unquoted shares | **30** | 30 |
| Club membership | **300** | 300 |
| | **330** | 330 |
| Impairment loss | **(135)** | - |
| | **195** | 330 |
| Represented by:- | | |
| At cost | **30** | 30 |
| At fair value | **165** | 300 |

Investments in unquoted shares of the Group are designated as available for sale financial assets but are stated at cost as their fair values cannot be measured reliably using valuation techniques due to the lack of marketability of the shares.

## 11. GOODWILL

| | The Group 2012 RM'000 | The Group 2011 RM'000 |
|---|---|---|
| At 1 January | **-** | 837 |
| Acquisition of a subsidiary | **-** | 6 |
| | **-** | 843 |
| Impairment loss | **-** | (843) |
| At 31 December | **-** | - |

The carrying amount of goodwill in prior years was allocated to the mobile phone products cash-generating unit ("CGU"). In the previous financial year, the Group had assessed the recoverable amounts of goodwill allocated and determined that full impairment was required mainly due to the discontinued operation of the CGU concerned.

## 12. INVENTORIES

| | The Group 2012 RM'000 | The Group 2011 RM'000 |
|---|---|---|
| At Cost:- | | |
| Handphones, stores and spares | **531** | 1,482 |
| Condominium unit for sale | **351** | 189 |
| Parking lots at condominium for sale | **-** | 755 |
| | **882** | 2,426 |
| At Net Realisable Value:- | | |
| Handphones, stores and spares | **323** | 767 |
| | **1,205** | 3,193 |

## 13. PROPERTY DEVELOPMENT COSTS

| | The Group 2012 RM'000 | 2011 RM'000 |
|---|---|---|
| At 1 January:- | | |
| Freehold land | **6,216** | 6,216 |
| Development costs | **57,827** | 43,655 |
| | **64,043** | 49,871 |
| Incurred during the financial year:- | | |
| Development costs | **2,381** | 14,172 |
| | **66,424** | 64,043 |
| Accumulated costs charged to profit or loss:- | | |
| At 1 January | **(62,745)** | (48,465) |
| Charge during the financial year | **5,655** | (14,280) |
| | **(57,090)** | (62,745) |
| At 31 December | **9,334** | 1,298 |
| Represented by:- | | |
| Freehold land | **6,216** | 6,216 |
| Development costs | **60,208** | 57,827 |
| Accumulated costs charged to profit or loss | **(57,090)** | (62,745) |
| | **9,334** | 1,298 |

## 14. AMOUNT OWING BY CONTRACT CUSTOMERS

| | The Group 2012 RM'000 | 2011 RM'000 |
|---|---|---|
| Contract costs incurred to date | **420,678** | 390,617 |
| Attributable profits | **9,288** | 11,080 |
| | **429,966** | 401,697 |
| Allowance for foreseeable losses | **-** | (25,645) |
| | **429,966** | 376,052 |
| Progress billings | **(425,580)** | (370,586) |
| Amount owing by contract customers | **4,386** | 5,466 |
| Contract costs recognised as an expense | **42,298** | 62,995 |

The costs incurred todate on construction include the following charges made during the financial year:-

| | 2012 RM'000 | 2011 RM'000 |
|---|---|---|
| Depreciation of property, plant and equipment | **218** | 1,233 |
| Hire of motor vehicles | **-** | 114 |
| Hire of plant and machinery | **3,165** | 7,073 |
| Rental expense | **108** | 393 |
| Staff costs | **3,962** | 5,784 |

## 15. TRADE RECEIVABLES

| | The Group | |
|---|---|---|
| | 2012 RM'000 | 2011 RM'000 |
| Trade receivables | **276,768** | 221,109 |
| Accrued billings | **2,235** | 13,022 |
| | **279,003** | 234,131 |
| Allowance for impairment losses | **(23,668)** | (29,011) |
| | **255,335** | 205,120 |
| Allowance for impairment losses:- | | |
| At 1 January | **(29,011)** | (25,156) |
| Addition during the financial year | **(9,737)** | (6,390) |
| Reversal during the financial year | **3,611** | 595 |
| Writeback for the financial year | **2,816** | 297 |
| Write-off during the financial year | **8,653** | 1,643 |
| At 31 December | **(23,668)** | (29,011) |

The Group's normal trade credit terms range from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

## 16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Other receivables | **33,617** | 27,780 | **5** | 7 |
| Allowance for impairment losses | **(1,687)** | (1,039) | **-** | - |
| | **31,930** | 26,741 | **5** | 7 |
| Prepayments | **1,138** | 1,103 | **-** | - |
| Deposits | **52,791** | 2,785 | **50,000** | - |
| | **85,859** | 30,629 | **50,005** | 7 |
| Allowance for impairment losses:- | | | | |
| At 1 January | **(1,039)** | (1,657) | **-** | - |
| Addition during the financial year | **(739)** | (242) | **-** | - |
| Writeback for the financial year | **11** | 860 | **-** | - |
| Write-off during the financial year | **80** | - | **-** | - |
| At 31 December | **(1,687)** | (1,039) | **-** | - |

Included in deposits of the Group and of the Company is an amount of RM50,000,000 paid for a proposed acquisition of 95,000,000 ordinary shares of IDR1,000 each, representing 76% equity interest in PT Anglo Slavic Indonesia. Details of this transaction are disclosed in Note 47(b) to the financial statements.

## 17. AMOUNTS OWING BY/(TO) SUBSIDIARIES

The amounts owing are non-trade in nature, unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.

## 18. AMOUNT OWING BY ASSOCIATES

| | The Group | |
|---|---|---|
| | 2012 RM'000 | 2011 RM'000 |
| Trade balances | - | 7,526 |
| Non-trade balances | 2,664 | 336 |
| | 2,664 | 7,862 |
| Allowance for impairment losses | - | (7,526) |
| | 2,664 | 336 |
| Allowance for impairment losses:- | | |
| At 1 January | (7,526) | (6,812) |
| Addition during the financial year | - | (714) |
| Write-off during the financial year | 7,526 | - |
| At 31 December | - | (7,526) |

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

The non-trade amount owing is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

## 19. SHORT-TERM INVESTMENTS

| | The Group | |
|---|---|---|
| | 2012 RM'000 | 2011 RM'000 |
| Unit trusts, quoted in Malaysia | 2,731 | 27,311 |
| Islamic money market fund | 3,646 | 3,590 |
| | 6,377 | 30,901 |
| Represented by: | | |
| At fair value | 6,377 | 30,901 |
| Market value of unit trusts | 2,731 | 27,311 |
| Market value of Islamic Money Market Fund | 3,646 | 3,590 |

## 20. DEPOSITS WITH LICENSED BANKS

Deposits with licensed banks of the Group amounting to RM3,405,156 (2011 - RM5,391,486) are pledged to banks for credit facilities granted to the subsidiaries.

The effective interest rates of deposits at the end of the reporting period were as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2012 % | 2011 % | 2012 % | 2011 % |
| Effective interest rates | 1.85 to 3.50 | 1.70 to 3.30 | 2.20 to 2.25 | 2.10 to 2.25 |

## 20. DEPOSITS WITH LICENSED BANKS (continued)

The average maturity period of the deposits as at the end of the reporting period were as follows:-

| | The Group 2012 | The Group 2011 | The Company 2012 | The Company 2011 |
|---|---|---|---|---|
| Maturity period (days) | **1 to 365** | 1 to 365 | **1 to 30** | 1 to 7 |

## 21. CASH AND BANK BALANCES

Included in cash and bank balances of the Group is a sum of RM3,024,978 (2011 - RM3,397,919) held under a Housing Development Account pursuant to Section 7A of the Housing Developer (Control & Licensing) Act 1966.

## 22. SHARE CAPITAL

| | The Group/The Company | | | |
|---|---|---|---|---|
| | 2012 Number Of Shares '000 | 2011 Number Of Shares '000 | 2012 RM'000 | 2011 RM'000 |
| Ordinary Shares Of RM0.50 Each:- | | | | |
| Authorised | **600,000** | 600,000 | **300,000** | 300,000 |
| Issued And Fully Paid-Up | **300,000** | 300,000 | **150,000** | 150,000 |

Of the total 300,000,000 (2011 - 300,000,000) issued and fully paid ordinary shares as at 31 December 2012, 3,335,800 (2011 - 3,334,800) were held as treasury shares by the Company. As at 31 December 2012, the number of outstanding ordinary shares in issue and fully paid net of treasury shares amounted to 296,664,200 (2011 - 296,665,200).

## 23. TREASURY SHARES

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

At the annual general meeting held on 20 June 2012, the shareholders of the Company approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

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

| Date | Price Per Share | Number Of Shares | Total Consideration RM'000 |
|---|---|---|---|
| Balance at 1 January 2012 | - | 3,334,800 | 2,834 |
| August 2012 | 0.92 | 1,000 | 1 |
| At 31 December 2012 | | 3,335,800 | 2,835 |

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

## 24. SHARE PREMIUM

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

### 25. FOREIGN EXCHANGE TRANSLATION RESERVE

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

### 26. CAPITAL RESERVE

The capital reserve relates to the Group's portion of bonus shares issued by a sub-subsidiary through the capitalisation of its retained profits account.

The reserve is not distributable as cash dividends.

### 27. RETAINED PROFITS

At the end of the reporting period, the Company will be able to distribute dividends out of its entire retained profits under the single tier tax system.

### 28. DEFERRED TAXATION

| | The Group | |
|---|---|---|
| | **2012** | **2011** |
| | **RM'000** | **RM'000** |
| At 1 January | **8,537** | 7,528 |
| Recognised in profit or loss (Note 39) | **(632)** | 1,009 |
| At 31 December | **7,905** | 8,537 |

Presented after appropriate offsetting as follows:-

| | | |
|---|---|---|
| Deferred tax liabilities:- | | |
| Accelerated capital allowances | **5,838** | 5,120 |
| Others | **2,550** | 3,505 |
| | **8,388** | 8,625 |
| Deferred tax assets:- | | |
| Unutilised tax losses and unabsorbed capital allowances | **(459)** | (88) |
| Others | **(24)** | - |
| | **(483)** | (88) |
| At 31 December | **7,905** | 8,537 |

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

| | The Group | |
|---|---|---|
| | **2012** | **2011** |
| | **RM'000** | **RM'000** |
| Unutilised tax losses | **20,360** | 15,874 |
| Unabsorbed capital allowances | **1,073** | 755 |
| | **21,433** | 16,629 |

**29. LONG-TERM BORROWINGS**

| | The Group 2012 RM'000 | The Group 2011 RM'000 |
|---|---|---|
| Secured:- | | |
| Hire purchase payables (Note 30) | **2,577** | 2,745 |
| Term loans (Note 31) | **1,748** | 1,216 |
| | **4,325** | 3,961 |

**30. HIRE PURCHASE PAYABLES**

| | The Group 2012 RM'000 | The Group 2011 RM'000 |
|---|---|---|
| Minimum hire purchase payments: | | |
| - not later than one year | **1,443** | 1,607 |
| - later than one year but not later than five years | **2,841** | 3,064 |
| | **4,284** | 4,671 |
| Less: Future finance charges | **(475)** | (541) |
| Present value of hire purchase payables | **3,809** | 4,130 |
| The net hire purchase payables are repayable as follows: | | |
| - not later than one year (Note 34) | **1,232** | 1,385 |
| - later than one year but not later than five years (Note 29) | **2,577** | 2,745 |
| | **3,809** | 4,130 |

**31. TERM LOANS**

| | The Group 2012 RM'000 | The Group 2011 RM'000 |
|---|---|---|
| Current portion: | | |
| - not later than one year (Note 34) | **55** | 38 |
| Non-current portion: (Note 29) | | |
| - later than one year and not later than two years | **73** | 46 |
| - later than two years and not later than five years | **294** | 196 |
| - later than five years | **1,381** | 974 |
| | **1,748** | 1,216 |
| | **1,803** | 1,254 |

(a) The term loans are secured by:-

(i) a first party legal charge over freehold land and buildings; and

(ii) a corporate guarantee provided by its holding company.

(b) The repayment terms of the term loans are as follows:-

Term loan 1 at BLR -1.7% per annum - Repayable in 240 monthly instalments of RM8,205, effective from February 2011.
Term loan 2 at BLR -1.7% per annum - Repayable in 240 monthly instalments of RM3,809, effective from March 2012.

## 32. TRADE PAYABLES

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

## 33. OTHER PAYABLES AND ACCRUALS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Other payables and accruals | **38,786** | 39,712 | **95** | 65 |
| Amount owing to a director | **-** | 116 | **-** | - |
| Progress billings | **8,405** | - | **-** | - |
| | **47,191** | 39,828 | **95** | 65 |

Included in the other payables and accruals is an amount owing to a subsidiary's shareholder of RM881,000 (2011 - RM973,750). The amount owing is unsecured, interest-free and repayable on demand. The amount is to be settled in cash.

The amount owing to a director in the previous financial year was unsecured, interest-free and repayable on demand. The amount owing was settled in cash.

## 34. SHORT-TERM BORROWINGS

| | The Group | |
|---|---|---|
| | 2012 RM'000 | 2011 RM'000 |
| Secured:- | | |
| Bills payable | **19,389** | 13,223 |
| Revolving credit | **17,292** | 18,968 |
| Term loans (Note 31) | **55** | 38 |
| Hire purchase payables (Note 30) | **1,232** | 1,385 |
| | **37,968** | 33,614 |

The bills payable and revolving credit are secured by:-

(a) a corporate guarantee of the Company; and

(b) fixed and floating charges on certain property, plant and equipment are disclosed in Note 7 to the financial statements.

## 35. BANK OVERDRAFTS

The bank overdrafts are secured by a corporate guarantee of the Company.

## 36. REVENUE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Gross dividends from subsidiaries | **-** | - | **41,534** | 29,115 |
| Management fees from subsidiaries | **-** | - | **2,100** | 2,043 |
| Construction and maintenance contracts | **577,089** | 426,360 | **-** | - |
| Property development | **1,568** | 16,281 | **-** | - |
| Sale of goods | **110,583** | 111,935 | **-** | - |
| Education and training fees | **48,801** | 48,468 | **-** | - |
| Engineering services | **48,969** | 85,464 | **-** | - |
| Others | **6,885** | 7,477 | **-** | - |
| | **793,895** | 695,985 | **43,634** | 31,158 |

## 37. PROFIT BEFORE TAXATION

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Profit before taxation is arrived at after charging/(crediting): | | | | |
| Advances written off | - | 190 | - | - |
| Allowance for foreseeable losses | - | 9,997 | - | - |
| Allowance for impairment losses on receivables | 11,508 | 7,346 | - | - |
| Amortisation of development costs | 440 | 440 | - | - |
| Audit fee: | | | | |
| - current year | 369 | 399 | 45 | 45 |
| - underprovision in the previous year | 36 | 10 | - | - |
| Bad debts written off | 66 | 62 | - | - |
| Cash lost on fraud case | - | 186 | - | - |
| Compensation on legal suit | - | 87 | - | - |
| Deposits written off | 41 | - | - | - |
| Depreciation of property, plant and equipment | 25,637 | 15,452 | 1 | - |
| Directors' benefits-in-kind | 54 | 70 | - | - |
| Directors' fee | 216 | 282 | 135 | 162 |
| Directors' non-fee emoluments | 2,195 | 2,201 | 174 | 600 |
| Impairment loss on: | | | | |
| - amount owing by associates | 336 | - | - | - |
| - goodwill | - | 843 | - | - |
| - investment in associates | 2,678 | 2 | - | - |
| - long-term investments | 135 | 200 | - | - |
| Incorporation expenses | - | 8 | - | - |
| Interest expense: | | | | |
| - bank overdrafts | 75 | 165 | - | - |
| - hire purchase | 238 | 260 | - | - |
| - bills payable | 696 | 435 | - | - |
| - revolving credit | 902 | 1,086 | - | - |
| - term loan | 85 | 57 | - | - |
| - others | 251 | 122 | - | - |
| Inventories written down | 1,090 | 811 | - | - |
| Inventories written off | 755 | 713 | - | - |
| Loss on revaluation on available-for-sale financial assets | - | 52 | - | - |
| Property, plant and equipment written off | 3,541 | 3,567 | - | - |
| Rental of: | | | | |
| - land | 33 | 16 | - | - |
| - office premises | 1,955 | 1,376 | - | - |
| - plant and machinery | 171 | 516 | - | - |
| - motor vehicles | 459 | 366 | 25 | - |
| - office equipment | 605 | 604 | - | - |
| - others | 108 | 160 | - | - |

## 37. PROFIT BEFORE TAXATION (continued)

| | The Group 2012 RM'000 | The Group 2011 RM'000 | The Company 2012 RM'000 | The Company 2011 RM'000 |
|---|---|---|---|---|
| Profit before taxation is arrived at after charging/(crediting): | | | | |
| Research and development expenditure | **3** | 3 | **-** | - |
| Staff costs: | | | | |
| - salaries, wages, bonuses and allowances | **68,984** | 63,364 | **1,109** | 524 |
| - defined contribution plan | **7,111** | 6,429 | **118** | 42 |
| - other benefits | **5,822** | 4,893 | **117** | 49 |
| Gain on disposal of investment in a subsidiary | **-** | - | **-** | (2,750) |
| Gain on derecognition of a subsidiary | **-** | (50) | **-** | - |
| Gain on disposal of property, plant and equipment | **(275)** | (1,686) | **-** | - |
| Insurance claim received | **(42)** | (163) | **-** | - |
| Interest income: | | | | |
| - financial institution | **(2,109)** | (3,127) | **(99)** | (46) |
| - others | **(1,092)** | (10) | **-** | - |
| Net foreign exchange (gain)/loss: | | | | |
| - unrealised | **(129)** | (155) | **-** | - |
| - realised | **679** | (4) | **-** | - |
| Rental income | **(344)** | (283) | **-** | - |
| Reversal of allowance for impairment losses on: | | | | |
| - trade receivables | **(3,611)** | (595) | **-** | - |
| - other receivables | **(11)** | (860) | **-** | - |
| Tax-exempt dividends received from investment in unit trusts | **(875)** | (694) | **-** | - |
| Waiver of debts | **(682)** | - | **-** | - |
| Writeback of impairment losses on trade receivables | **(2,816)** | (297) | **-** | - |

## 38. DIRECTORS' REMUNERATION

| | The Group 2012 RM'000 | The Group 2011 RM'000 | The Company 2012 RM'000 | The Company 2011 RM'000 |
|---|---|---|---|---|
| Directors of the Company | | | | |
| Executive directors' remuneration | | | | |
| - Fees | **62** | - | **-** | - |
| - Other emoluments | **2,079** | 2,184 | **163** | 583 |
| | **2,141** | 2,184 | **163** | 583 |
| Non-executive directors' remuneration | | | | |
| - Fees | **154** | 282 | **135** | 162 |
| - Other emoluments | **116** | 17 | **11** | 17 |
| | **270** | 299 | **146** | 179 |

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

| | The Group 2012 RM'000 | The Group 2011 RM'000 | The Company 2012 RM'000 | The Company 2011 RM'000 |
|---|---|---|---|---|
| Total directors' remuneration | **2,411** | 2,483 | **309** | 762 |
| Estimated money value of benefits-in-kind | **54** | 70 | **-** | - |
| Total directors' remuneration including benefits-in-kind | **2,465** | 2,553 | **309** | 762 |

## 38. DIRECTORS' REMUNERATION (continued)

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Executive:- | | | | |
| Fees | **62** | - | **-** | - |
| Salaries and emoluments | **1,473** | 1,560 | **145** | 391 |
| Bonus | **390** | 390 | **-** | 130 |
| Contributions to defined contribution plans | **216** | 234 | **18** | 62 |
| Estimated money value of benefits-in-kind | **54** | 70 | **-** | - |
| | **2,195** | 2,254 | **163** | 583 |
| Non-Executive:- | | | | |
| Fees | **154** | 282 | **135** | 162 |
| Other emoluments | **116** | 17 | **11** | 17 |
| | **2,465** | 2,553 | **309** | 762 |

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

| | Number Of Directors | |
|---|---|---|
| | 2012 | 2011 |
| Executive Directors:- | | |
| Below RM1,000,000 | **3** | - |
| RM1,000,001 - RM1,150,000 | **1** | 2 |
| Non-Executive Directors:- | | |
| Below RM50,000 | **8** | 4 |
| RM50,001 - RM100,000 | **-** | 1 |
| RM100,001 - RM150,000 | **-** | 1 |
| RM150,001 - RM200,000 | **1** | - |

## 39. INCOME TAX EXPENSE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Current tax expense: | | | | |
| Charge for the financial year | **35,882** | 24,650 | **81** | 2,415 |
| Under/(Over)provision in the previous financial year | **92** | (1,697) | **131** | 27 |
| | **35,974** | 22,953 | **212** | 2,442 |
| Deferred tax expense: (Note 28) | | | | |
| Relating to origination and reversal of temporary differences | **(49)** | 646 | **-** | - |
| (Over)/Underprovision in the previous financial year | **(583)** | 363 | **-** | - |
| | **(632)** | 1,009 | **-** | - |
| | **35,342** | 23,962 | **212** | 2,442 |

During the financial year, the statutory tax rate remained at 25%.

## 39. INCOME TAX EXPENSE (continued)

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Profit before taxation | **106,557** | 72,204 | **41,614** | 32,250 |
| Tax at the statutory tax rate of 25% | **26,639** | 18,051 | **10,403** | 8,062 |
| Tax effects of: | | | | |
| Differential in tax rates | **63** | (40) | **-** | - |
| Non-deductible expenses | **24,979** | 19,019 | **61** | - |
| Non-taxable income | **(17,051)** | (15,881) | **(10,383)** | (5,647) |
| Utilisation of previously unrecognised deferred tax asset | **(34)** | (120) | **-** | - |
| Deferred tax asset not recognised during the financial year | **1,237** | 4,267 | **-** | - |
| Under/(Over)provision in the previous financial year: | | | | |
| - current tax | **92** | (1,697) | **131** | 27 |
| - deferred tax | **(583)** | 363 | **-** | - |
| Income tax expense for the financial year | **35,342** | 23,962 | **212** | 2,442 |

## 40. EARNINGS PER SHARE

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

| | The Group | |
|---|---|---|
| | 2012 | 2011 |
| Net profit for the financial year (RM'000) | **37,472** | 31,828 |
| Weighted average number of ordinary shares in issue ('000) | **296,665** | 296,666 |
| Basic earnings per share (sen) | **12.63** | 10.73 |

The diluted earnings per share is not applicable as there were no potential dilutive ordinary shares outstanding at the end of the reporting period.

## 41. DIVIDENDS

| | The Company | |
|---|---|---|
| | 2012 RM'000 | 2011 RM'000 |
| Final single tier dividend of 5 sen per ordinary share in respect of the financial year ended 31 December 2010 | **-** | 14,833 |
| Interim single tier dividend of 4 sen per ordinary share in respect of the financial year ended 31 December 2011 | **-** | 11,867 |
| Final single tier dividend of 4 sen per ordinary share in respect of the financial year ended 31 December 2011 | **11,867** | - |
| Interim single tier dividend of 4 sen per ordinary share in respect of the financial year ended 31 December 2012 | **11,866** | - |
| Special single tier dividend of 6 sen per ordinary share in respect of the financial year ended 31 December 2012 | **17,800** | - |
| | **41,533** | 26,700 |

**41. DIVIDENDS (continued)**

At the forthcoming Annual General Meeting, the directors recommend a final single tier dividend of 4 sen per ordinary share in respect of the financial year ended 31 December 2012 amounting to approximately RM11,866,568 computed based on the issued and paid-up capital with voting rights as at 31 December 2012 of 296,664,200 ordinary shares of RM0.50 each. 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 as a liability in the financial year ending 31 December 2013.

**42. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT**

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Cost of property, plant and equipment purchased | **23,216** | 16,752 | **3** | - |
| Amount financed through hire purchase | **(1,216)** | (1,037) | **-** | - |
| Cash disbursed for purchase of property, plant and equipment | **22,000** | 15,715 | **3** | - |

**43. CASH AND CASH EQUIVALENTS**

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Cash and bank balances (Note 21) | **90,307** | 90,546 | **780** | 10,474 |
| Deposits with licensed banks (Note 20) | **59,259** | 99,440 | **853** | 1,869 |
| Bank overdrafts (Note 35) | **(1,179)** | (2,895) | **-** | - |
| | **148,387** | 187,091 | **1,633** | 12,343 |

**44. CAPITAL COMMITMENTS**

| | The Group | |
|---|---|---|
| | 2012 RM'000 | 2011 RM'000 |
| Approved and contracted for:- | | |
| Investment in subsidiaries | **120,500** | - |
| Purchase of property, plant and equipment | **1,603** | 2,923 |
| | **122,103** | 2,923 |
| Approved but not contracted for: | | |
| Purchase of property, plant and equipment | **6,049** | 10,238 |

**45. CONTINGENT LIABILITIES**

HCM Engineering Sdn. Bhd. ("HCM"), a wholly owned subsidiary of Protasco Berhad, received a winding up notice pursuant to Section 218(2) of the Companies Act, 1965 on 25 October 2011 arising from two judgements in default (of appearance) which were entered against them for the sum of RM507,662 in Shah Alam High Court Suit No: 22-1558-2010 and the sum of RM9,960,492 in Shah Alam High Court Suit No: 22-1559-2010, respectively. Both judgments were entered on 11 July 2011.

HCM has engaged a firm of solicitors to set aside both the judgments and resist any attempt to file a winding up petition premised on the said judgments which HCM contend is without merit. At the hearing on 17 October 2012, HCM's setting aside application for both Shah Alam High Court Suit No: 22-1558-2010 and Shah Alam High Court Suit No: 22-1559-2010 were allowed with costs.

The Court has further directed HCM to file its Statement of Defence for both suits within 14 days from 17 October 2012. Pursuant to the said direction, HCM has filed its Statement of Defence for both suits in Court on 22 October 2012 and it was also served on the Plaintiff on the same day.

The Directors, based on legal advice, are of the opinion that the Group has a strong defence of merits in these suits. Accordingly, no provision has been made in the financial statements.

**45. CONTINGENT LIABILITIES (continued)**

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Unsecured:- | | | | |
| Guarantees given to financial institutions for credit facilities granted to subsidiaries | **-** | - | **271,670** | 227,326 |
| Corporate guarantees given to suppliers for credit facilities granted to a subsidiary | **24,700** | 11,700 | **24,700** | 11,700 |
| Guarantee given by a subsidiary to the Government of Malaysia for the repayment of advance payment received | **8,700** | 8,700 | **-** | - |
| Guarantee given by a subsidiary to the Government of Malaysia for services rendered | **497** | 591 | **-** | - |
| Performance guarantee extended by subsidiaries to third parties | **8,063** | 7,709 | **-** | - |

**46. RELATED PARTY DISCLOSURES**

(a) Identities of related parties

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with:-

(i) its subsidiaries, as disclosed in Note 5 to the financial statements;

(ii) its associates, as disclosed in Note 6 to the financial statements;

(iii) the directors who are the key management personnel; and

(iv) close members of the families of certain directors.

(b) Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following transactions with the related parties during the financial year:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Gross dividends from subsidiaries | **-** | - | **(41,533)** | (29,115) |
| Management fees from subsidiaries | **-** | - | **(2,100)** | (2,043) |
| Services rendered to a related party | **891** | - | **-** | - |
| Rental payable to:<br>- a company substantially owned by a director of a subsidiary | **30** | 30 | **-** | - |
| Purchases from:<br>- companies substantially owned by a director of a subsidiary | **-** | 1,936 | **-** | - |

(c) Key management personnel compensation

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Short-term employee benefits | **2,465** | 2,553 | **309** | 762 |

## 47. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

(a) On 17 January 2012, Kumpulan Ikram Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement to acquire a two storey shop office known as No. 2, Jalan Impian 1, Taman Impian, 81300 Skudai, Johor Bahru, Johor for a total cash consideration of RM914,400.

(b) On 28 December 2012, the Company entered into a Sale and Purchase Agreement ("SPA") with PT Anglo Slavic Utama ("PT ASU") to acquire 95,000,000 ordinary shares of IDR1,000 each in PT Anglo Slavic Indonesia ("PT ASI"), representing 76% equity interest in PT ASI for a proposed purchase consideration of USD55 million (equivalent to approximately RM170,500,000) ("Proposed Acquisition").

PT ASI holds 49% equity interest in PT Firman Andalan Sakti which in turn holds 70% equity interest in PT Hase Bumou Aceh ("PT Haseba") ("PT ASI Group"). PT Haseba has a 10 year production management partnership agreement ("PMP Agreement") with PT Pertamina (PERSERO) ("Pertamina") to develop and to produce oil and gas in the Kuala Simpang Timur Field from 14 December 2004. The Board understand that PT Haseba is in negotiation with Pertamina to extend the PMP Agreement.

Upon the signing of SPA, RM50,000,000 in cash has been paid as refundable deposit for the Proposed Acquisition to PT ASU. The balance of the purchase consideration shall be satisfied by the issuance of up to 20,000,000 new ordinary shares of the Company of RM0.50 each based on the five-day weighted average market price of the Company's share ending on the day before the completion date and the balance in cash. The deposit of RM50,000,000 is secured by quoted securities of a public listed company in Indonesia, PT Inovisi Infrakom TBK, whereby these quoted securities have been blocked as collateral shares for the deposits ("Blocked Shares"). The market value of the Blocked Shares as at 26 April 2013 is approximately RM51,500,000.

The Proposed Acquisition is on-going and has not been completed as at 26 April 2013. The completion is subject to amongst others, the following conditions precedent:-
(i) Approvals from shareholders, Bursa Malaysia Securities Berhad, Bank Negara Malaysia and relevant authorities in Indonesia;
(ii) Approvals from all financiers, contracting parties and any other relevant party of the PT ASI Group, and where applicable, by the vendor, PT ASU;
(iii) Consent of Pertamina, a state-owned company of Indonesia;
(iv) Approvals from the Board of Directors and/or the Board of Commissioners and shareholders of PT ASI and PT ASU; and
(v) The completion of a legal, financial and operational due diligence on the PT ASI Group.

## 48. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

(a) On 4 January 2013, the Company proposed to undertake a private placement of new ordinary shares of RM0.50 each in the Company ("Placement Shares") of up to 10% of the issued and paid-up share capital of the Company ("Proposed Private Placement").

Bursa Malaysia Securities Berhad had vide its letter dated 23 January 2013, approved the listing of up to 29,666,420 new ordinary shares of RM0.50 each in the Company to be issued pursuant to the Proposed Private Placement.

On 13 February 2013, the Company announced the placement of 20,833,210 new ordinary shares of RM0.50 each, to be issued pursuant to the first tranche of the Proposed Private Placement at an issue price of RM1.10 per Placement share. The issuance was completed on 14 February 2013.

(b) On 8 March 2013, Protasco Enterprise SA (Pty) Ltd., a wholly-owned subsidiary of the Company, which is incorporated in South Africa was struck off from the register by the Companies Registry in South Africa.

## 49. OPERATING SEGMENTS

### BUSINESS SEGMENTS

The Group is organised into four major business segments:-

(a) Construction Contracts

The construction and maintenance of roads.

(b) Engineering Services

The provision of site investigation and soil testing services.

(c) Training and Education

The provision of training and education services.

(d) 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.

## 49. OPERATING SEGMENTS (continued)

| 2012 | Construction Contracts RM'000 | Engineering Services RM'000 | Property Development RM'000 | Training And Education RM'000 | Trading RM'000 | Others RM'000 | Eliminations RM'000 | Consolidation RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | |
| External sales | 577,089 | 52,589 | 1,568 | 49,197 | 110,583 | 2,870 | - | 793,896 |
| Inter-segment sales | 3,861 | 1,635 | - | - | 11,807 | 43,634 | (60,937) | - |
| Total revenue | 580,950 | 54,224 | 1,568 | 49,197 | 122,390 | 46.504 | (60,937) | 793,896 |
| **Results** | | | | | | | | |
| Segment results | 103,757 | (335) | 1,006 | 2,069 | 793 | 42,004 | (40,718) | 108,576 |
| Profit from operations | | | | | | | | 108,576 |
| Finance costs | | | | | | | | (2,033) |
| Share of profits in associates | | | | | | | | 14 |
| Income tax expense | | | | | | | | (35,342) |
| Profit after taxation | | | | | | | | 71,215 |
| Non-controlling interests | | | | | | | | (33,743) |
| Net profit attributable to owners of the Company | | | | | | | | 37,472 |
| **Assets** | | | | | | | | |
| Segment assets | 384,472 | 209,745 | 30,005 | 44,656 | 45,627 | 231,799 | (250,223) | 696,081 |
| Investment in associates | 37 | 59 | - | - | - | - | - | 96 |
| Unallocated corporate assets | 285 | 1,713 | - | 710 | 413 | 23 | - | 3,144 |
| Consolidated total assets | | | | | | | | 699,321 |
| **Liabilities** | | | | | | | | |
| Segment liabilities | 172,281 | 105,405 | 27,165 | 20,418 | 34,010 | 36,090 | (118,748) | 276,621 |
| Unallocated corporate liabilities | 14,535 | 3,038 | 155 | 1,556 | 22 | 2,878 | - | 22,184 |
| Consolidated total liabilities | | | | | | | | 298,805 |
| **Other Information** | | | | | | | | |
| Capital expenditure | 13,183 | 5,208 | 29 | 3,710 | 938 | 148 | - | 23,216 |
| Depreciation and amortisation | 19,209 | 3,502 | 19 | 2,976 | 418 | 171 | - | 26,295 |

## 49. OPERATING SEGMENTS (continued)

| 2011 | Construction Contracts RM'000 | Engineering Services RM'000 | Property Development RM'000 | Training And Education RM'000 | Trading RM'000 | Others RM'000 | Eliminations RM'000 | Consolidation RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | |
| External sales | 426,360 | 85,464 | 16,281 | 48,468 | 111,935 | 7,477 | - | 695,985 |
| Inter-segment sales | 15,455 | 4,446 | - | - | 17,259 | 31,158 | (68,318) | - |
| Total revenue | 441,815 | 89,910 | 16,281 | 48,468 | 129,194 | 38,635 | (68,318) | 695,985 |
| **Results** | | | | | | | | |
| Segment results | 47,909 | 16,605 | 1,278 | 2,898 | 3,681 | 33,097 | (31,158) | 74,310 |
| Profit from operations | | | | | | | | 74,310 |
| Finance costs | | | | | | | | (2,106) |
| Income tax expense | | | | | | | | (23,962) |
| Profit after taxation | | | | | | | | 48,242 |
| Non-controlling interests | | | | | | | | (16,414) |
| Net profit attributable to owners of the Company | | | | | | | | 31,828 |
| **Assets** | | | | | | | | |
| Segment assets | 317,419 | 219,184 | 28,399 | 39,041 | 37,807 | 13,843 | - | 655,693 |
| Investment in associates | 2,530 | 57 | - | - | - | - | - | 2,587 |
| Unallocated corporate assets | 1,418 | - | 3 | - | - | - | - | 1,421 |
| Consolidated total assets | | | | | | | | 659,701 |
| **Liabilities** | | | | | | | | |
| Segment liabilities | 115,205 | 81,722 | 10,773 | 9,588 | 30,250 | 11,893 | - | 259,431 |
| Unallocated corporate liabilities | 5,646 | 4,523 | 57 | 1,523 | 138 | 2,741 | - | 14,628 |
| Consolidated total liabilities | | | | | | | | 274,059 |
| **Other Information** | | | | | | | | |
| Capital expenditure | 4,309 | 3,250 | 13 | 5,455 | 3,329 | 396 | - | 16,752 |
| Depreciation and amortisation | 10,916 | 3,197 | 25 | 2,622 | 286 | 79 | - | 17,125 |

No geographical segment has been presented as the revenue derived from the Group during the financial year under review are mainly in Malaysia.

## 50. FOREIGN EXCHANGE RATES

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

| | The Group | |
|---|---|---|
| | **2012** | **2011** |
| Chinese Renminbi | **0.48** | 0.49 |
| Euro | **4.05** | 4.10 |
| Hong Kong Dollar | **0.39** | 0.41 |
| Libyan Dinar | **2.42** | 2.38 |
| South African Rand | **0.35** | 0.38 |
| United States Dollar | **3.04** | 3.17 |

## 51. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### 51.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

**(a) Market Risk**

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily Libyan Dinar, Chinese Renminbi, Euro, Hong Kong Dollar and South African Rand. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

51. FINANCIAL INSTRUMENTS (continued)

51.1 FINANCIAL RISK MANAGEMENT POLICIES (continued)

(a) Market Risk

(i) Foreign Currency Risk (continued)

*Foreign currency exposure*

| The Group | Libyan Dinar RM'000 | Euro RM'000 | South African Rand RM'000 | Australian Dollar RM'000 | United States Dollar RM'000 | Hong Kong Dollar RM'000 | Chinese Renminbi RM'000 | Ringgit Malaysia RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | | | |
| **Financial assets** | | | | | | | | | |
| Long-term investments | - | - | - | - | - | - | - | 195 | 195 |
| Trade receivables | - | - | - | - | - | - | - | 253,100 | 253,100 |
| Other receivables and deposits | - | 172 | - | - | - | 4 | 2,066 | 82,479 | 84,721 |
| Amount owing by associates | - | - | - | - | - | - | - | 2,664 | 2,664 |
| Short-term investments | - | - | - | - | - | - | - | 6,377 | 6,377 |
| Deposits with licensed banks | - | - | - | 3 | - | - | - | 59,256 | 59,259 |
| Cash and bank balances | 4,523 | 6 | 750 | - | 387 | 26 | 295 | 84,320 | 90,307 |
| | 4,523 | 178 | 750 | 3 | 387 | 30 | 2,361 | 488,391 | 496,623 |
| **Financial liabilities** | | | | | | | | | |
| Trade payables | 1,677 | - | - | - | - | - | - | 184,281 | 185,958 |
| Other payables and accruals | - | 14 | 898 | - | - | 5 | 1,104 | 36,765 | 38,786 |
| Borrowings | - | - | - | - | - | - | - | 42,293 | 42,293 |
| Bank overdrafts | - | - | - | - | - | - | - | 1,179 | 1,179 |
| | 1,677 | 14 | 898 | - | - | 5 | 1,104 | 264,518 | 268,216 |
| Net financial assets/(liabilities) | 2,846 | 164 | (148) | 3 | 387 | 25 | 1,257 | 223,873 | 228,407 |
| Less: Net financial (assets)/liabilities denominated in the respective entities functional currencies | (2,846) | (164) | 148 | - | - | (25) | (1,257) | (223,873) | (228,017) |
| **Currency exposure** | - | - | - | 3 | 387 | - | - | - | 390 |

**51. FINANCIAL INSTRUMENTS (continued)**

**51.1 FINANCIAL RISK MANAGEMENT POLICIES (continued)**

**(a) Market Risk (continued)**

(i) Foreign Currency Risk (continued)

*Foreign currency exposure (continued)*

| The Group | Libyan Dinar RM'000 | Euro RM'000 | South African Rand RM'000 | Australian Dollar RM'000 | United States Dollar RM'000 | Hong Kong Dollar RM'000 | Chinese Renminbi RM'000 | Ringgit Malaysia RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | | | |
| **Financial assets** | | | | | | | | | |
| Long-term investments | - | - | - | - | - | - | - | 330 | 330 |
| Trade receivables | - | - | - | - | - | - | - | 192,098 | 192,098 |
| Other receivables and deposits | - | 175 | - | - | - | 14 | 2,066 | 27,271 | 29,526 |
| Amount owing by associates | 336 | - | - | - | - | - | - | - | 336 |
| Short-term investments | - | - | - | - | - | - | - | 30,901 | 30,901 |
| Deposits with licensed banks | - | - | - | 3 | - | - | - | 99,437 | 99,440 |
| Cash and bank balances | 16,358 | 9 | 808 | - | 628 | 27 | 384 | 72,332 | 90,546 |
| | 16,694 | 184 | 808 | 3 | 628 | 41 | 2,450 | 422,369 | 443,177 |
| **Financial liabilities** | | | | | | | | | |
| Trade payables | 2,917 | - | - | - | - | - | - | 164,349 | 167,266 |
| Other payables and accruals | 516 | 18 | 982 | - | - | 21 | 1,059 | 37,232 | 39,828 |
| Borrowings | - | - | - | - | - | - | - | 37,575 | 37,575 |
| Bank overdrafts | - | - | - | - | - | - | - | 2,895 | 2,895 |
| Dividend payable | - | - | - | - | - | - | - | 11,867 | 11,867 |
| | 3,433 | 18 | 982 | - | - | 21 | 1,059 | 253,918 | 259,431 |
| Net financial assets/(liabilities) | 13,261 | 166 | (174) | 3 | 628 | 20 | 1,391 | 168,451 | 183,746 |
| Less: Net financial (assets)/liabilities denominated in the respective entities functional currencies | (13,261) | (166) | 174 | - | - | (20) | (1,391) | (168,451) | (183,115) |
| **Currency exposure** | - | - | - | 3 | 628 | - | - | - | 631 |

**51. FINANCIAL INSTRUMENTS (continued)**

**51.1 FINANCIAL RISK MANAGEMENT POLICIES (continued)**

**(a) Market Risk (continued)**

(i) Foreign Currency Risk (continued)

*Foreign currency risk sensitivity analysis*

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

| | The Group 2012 Increase/ (Decrease) RM'000 | The Group 2011 Increase/ (Decrease) RM'000 |
|---|---|---|
| **Effects on profit after taxation/equity** | | |
| Australian Dollar: | | |
| - strengthened by 5% | * | * |
| - weakened by 5% | * | * |
| United States Dollar: | | |
| - strengthened by 5% | **19** | 31 |
| - weakened by 5% | **(19)** | (31) |

* RM150

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 51.1(c) to the financial statements.

*Interest rate risk sensitivity analysis*

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

| | The Group 2012 Increase/ (Decrease) RM'000 | The Group 2011 Increase/ (Decrease) RM'000 |
|---|---|---|
| **Effects on profit after taxation** | | |
| Increase of 100 basis points (bp) | **(22)** | (31) |
| Decrease of 100 bp | **22** | 31 |
| **Effects on equity** | | |
| Increase of 100 bp | **(22)** | (31) |
| Decrease of 100 bp | **22** | 31 |

**51. FINANCIAL INSTRUMENTS (continued)**

**51.1 FINANCIAL RISK MANAGEMENT POLICIES (continued)**

**(a) Market Risk (continued)**

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risks by maintaining a portfolio of equities with different risk profiles.

If prices for quoted investments as at the end of the reporting period strengthened by 5% with all other variables being held constant, the Group's equity would have increased by RM319,000 (2011 - RM1,545,000). A 5% weakening in the quoted prices would have had an equal but opposite effect on the profit after taxation and equity respectively.

**(b) Credit Risk**

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

(i) Credit risk concentration profile

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

(ii) Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets at the end of the reporting period.

The Group does not have exposure to international credit risk as the entire receivables are concentrated in Malaysia.

(iii) Ageing analysis

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:-

| **The Group** | **Gross Amount RM'000** | **Individual Impairment RM'000** | **Collective Impairment RM'000** | **Carrying Value RM'000** |
|---|---|---|---|---|
| **2012** | | | | |
| Not past due | **199,353** | **(9)** | **-** | **199,344** |
| Past due: | | | | |
| - less than 6 months | **27,180** | **-** | **-** | **27,180** |
| - 6 to 12 months | **9,700** | **-** | **-** | **9,700** |
| - 1 to 2 years | **13,196** | **(96)** | **-** | **13,100** |
| - more than 2 years | **29,574** | **(23,563)** | **-** | **6,011** |
| | **279,003** | **(23,668)** | **-** | **255,335** |

**51. FINANCIAL INSTRUMENTS (continued)**

**51.1 FINANCIAL RISK MANAGEMENT POLICIES (continued)**

**(b) Credit Risk (continued)**

(iii) Ageing analysis (continued)

| The Group | Gross Amount RM'000 | Individual Impairment RM'000 | Collective Impairment RM'000 | Carrying Value RM'000 |
|---|---|---|---|---|
| **2011** | | | | |
| Not past due | 136,084 | - | - | 136,084 |
| Past due: | | | | |
| - less than 6 months | 23,424 | - | - | 23,424 |
| - 6 to 12 months | 11,817 | (77) | - | 11,740 |
| - 1 to 2 years | 25,467 | (7,963) | - | 17,504 |
| - more than 2 years | 37,339 | (20,971) | - | 16,368 |
| | 234,131 | (29,011) | - | 205,120 |

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

*Trade receivables that are past due but not impaired*

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

*Trade receivables that are neither past due nor impaired*

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Groups uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days are monitored individually.

**(c) Liquidity Risk**

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

| The Group | Weighted Average Effective Rate % | Carrying Amount RM'000 | Contractual Undiscounted Cash Flows RM'000 | Within 1 Year RM'000 | 1 - 5 Years RM'000 | Over 5 Years RM'000 |
|---|---|---|---|---|---|---|
| **2012** | | | | | | |
| Trade payables | - | 185,958 | 185,958 | 185,958 | - | - |
| Other payables | - | 38,786 | 38,786 | 38,786 | - | - |
| Term loans | 4.90 | 1,803 | 2,645 | 144 | 721 | 1,780 |
| Hire purchase payables | 4.13 to 7.13 | 3,809 | 4,284 | 1,443 | 2,841 | - |
| Bills payable | 3.32 to 4.69 | 19,389 | 19,609 | 19,609 | - | - |
| Revolving credit | 4.95 | 17,292 | 17,452 | 17,452 | - | - |
| Bank overdrafts | 7.60 | 1,179 | 1,179 | 1,179 | - | - |
| | | 268,216 | 269,913 | 264,571 | 3,562 | 1,780 |

## 51. FINANCIAL INSTRUMENTS (continued)

### 51.1 FINANCIAL RISK MANAGEMENT POLICIES (continued)

#### (c) Liquidity Risk (continued)

| The Group | Weighted Average Effective Rate % | Carrying Amount RM'000 | Contractual Undiscounted Cash Flows RM'000 | Within 1 Year RM'000 | 1 - 5 Years RM'000 | Over 5 Years RM'000 |
|---|---|---|---|---|---|---|
| **2011** | | | | | | |
| Trade payables | - | 167,266 | 167,266 | 167,266 | - | - |
| Other payables | - | 39,828 | 39,828 | 39,828 | - | - |
| Dividend payable | - | 11,867 | 11,867 | 11,867 | - | - |
| Term loan | 4.90 | 1,254 | 2,010 | 98 | 394 | 1,518 |
| Hire purchase payables | 4.13 to 7.21 | 4,130 | 4,671 | 1,607 | 3,064 | - |
| Bills payable | 3.33 to 4.76 | 13,223 | 13,355 | 13,355 | - | - |
| Revolving credit | 5.45 to 6.05 | 18,968 | 19,298 | 19,298 | - | - |
| Bank overdrafts | 7.85 | 2,895 | 2,895 | 2,895 | - | - |
| | | 259,431 | 261,190 | 256,214 | 3,458 | 1,518 |

| The Company | Weighted Average Effective Rate % | Carrying Amount RM'000 | Contractual Undiscounted Cash Flows RM'000 | Within 1 Year RM'000 | 1 - 5 Years RM'000 | Over 5 Years RM'000 |
|---|---|---|---|---|---|---|
| **2012** | | | | | | |
| Other payables | **-** | **95** | **95** | **95** | **-** | **-** |
| Amount owing to subsidiaries | **-** | **34,500** | **34,500** | **34,500** | **-** | **-** |
| | | **34,595** | **34,595** | **34,595** | **-** | **-** |
| **2011** | | | | | | |
| Other payables | - | 65 | 65 | 65 | - | - |
| Dividend payable | - | 11,867 | 11,867 | 11,867 | - | - |
| | | 11,932 | 11,932 | 11,932 | - | - |

### 51.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

There was no change in the Group's approach to capital management during the financial year.

**51. FINANCIAL INSTRUMENTS (continued)**

**51.2 CAPITAL RISK MANAGEMENT (continued)**

The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

| | The Group | |
|---|---|---|
| | **2012 RM'000** | **2011 RM'000** |
| Trade payables | **185,958** | 167,266 |
| Other payables | **38,786** | 39,828 |
| Dividend payable | **-** | 11,867 |
| Term loans | **1,803** | 1,254 |
| Hire purchase payables | **3,809** | 4,130 |
| Bills payable | **19,389** | 13,223 |
| Revolving credit | **17,292** | 18,968 |
| Bank overdrafts | **1,179** | 2,895 |
| | **268,216** | 259,431 |
| Less: Deposits with licensed banks | **(59,259)** | (99,440) |
| Less: Cash and bank balances | **(90,307)** | (90,546) |
| Net debt | **118,650** | 69,445 |
| Total equity | **400,516** | 385,642 |
| Debt-to-equity ratio | **0.30** | 0.18 |

The Company has complied with the requirement of Bursa Malaysia Practice Note No. 17/2005, which required it to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million.

**51.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012 RM'000** | **2011 RM'000** | **2012 RM'000** | **2011 RM'000** |
| **Financial assets** | | | | |
| Available-for-sale financial assets | | | | |
| Long-term investments, at fair value | **165** | 300 | **-** | - |
| Long-term investments, at cost | **30** | 30 | **-** | - |
| | **195** | 330 | **-** | - |
| Loans and receivables financial assets | | | | |
| Trade receivables | **253,100** | 192,098 | **-** | - |
| Other receivables and deposits | **84,721** | 29,526 | **50,005** | 7 |
| Amount owing by associates | **2,664** | 336 | **-** | - |
| Amount owing by subsidiaries | **-** | - | **48,873** | 65,555 |
| Deposits with licensed banks | **59,259** | 99,440 | **853** | 1,869 |
| Cash and bank balances | **90,307** | 90,546 | **780** | 10,474 |
| | **490,051** | 411,946 | **100,511** | 77,905 |
| Fair value through profit or loss | | | | |
| Short-term investments | **6,377** | 30,901 | **-** | - |

## 51. FINANCIAL INSTRUMENTS (continued)

### 51.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| **Financial liabilities** | | | | |
| Other financial liabilities | | | | |
| Trade payables | **185,958** | 167,266 | **-** | - |
| Other payables | **38,786** | 39,828 | **95** | 65 |
| Amount owing to subsidiaries | **-** | - | **34,500** | - |
| Term loans | **1,803** | 1,254 | **-** | - |
| Hire purchase payables | **3,809** | 4,130 | **-** | - |
| Bills payable | **19,389** | 13,223 | **-** | - |
| Revolving credit | **17,292** | 18,968 | **-** | - |
| Bank overdrafts | **1,179** | 2,895 | **-** | - |
| Dividend payable | **-** | 11,867 | **-** | 11,867 |
| | **268,216** | 259,431 | **34,595** | 11,932 |

### 51.4 FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values except for the following:-

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Carrying Amount RM'000 | Fair Value RM'000 | Carrying Amount RM'000 | Fair Value RM'000 |
| Hire purchase payables | **3,809** | **3,923** | 4,130 | 4,412 |

The following summarises the methods used to determine the fair values of the financial instruments:-

(a) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

(b) The fair value of quoted investments is estimated based on their quoted market prices at the end of the reporting period.

(c) The fair values of the term loan and hire purchase payables are determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period.

The interest rates used to discount estimated cash flows, where applicable, are as follows:-

| | Group | |
|---|---|---|
| | 2012 % | 2011 % |
| Hire purchase payables | **4.5% - 7.2%** | 5.0% - 7.0% |

### 51.5 FAIR VALUE HIERARCHY

The fair values of the financial assets and liabilities are analysed into level 1 to 3 as follows:-

Level 1: Fair value measurements derive from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements derive from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair value measurements derive from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 51. FINANCIAL INSTRUMENTS (continued)

### 51.5 FAIR VALUE HIERARCHY (continued)

*Fair value hierarchy analysis*

| The Group | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2012** | | | | |
| **Financial assets** | | | | |
| Long-term investments, at fair value | **-** | **165** | **-** | **-** |
| Short-term investments | **6,377** | **-** | **-** | **-** |
| | **6,377** | **165** | **-** | **-** |
| **2011** | | | | |
| **Financial assets** | | | | |
| Long-term investments, at fair value | - | 300 | - | - |
| Short-term investments | 30,901 | - | - | - |
| | 30,901 | 300 | - | - |

## 52. COMPARATIVE FIGURES

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

| | As Restated RM'000 | As Previously Reported RM'000 |
|---|---|---|
| Consolidated Statement of Financial Position (Extract):- | | |
| CURRENT ASSETS: | | |
| Other receivables, deposits and prepayments | 30,629 | 30,189 |
| NON-CURRENT ASSETS: | | |
| Prepayment | 330 | 770 |

## 53. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits of the Group and the Company at the end of the reporting period into realised and unrealised profits are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

| | The Group | |
|---|---|---|
| | **2012** | **2011** |
| | **RM'000** | **RM'000** |
| Total retained profits of the Company and its subsidiaries: | | |
| - realised | **246,057** | 251,780 |
| - unrealised | **(8,034)** | (8,692) |
| | **238,023** | 243,088 |
| Total share of retained profits of associate: | | |
| - unrealised | **1,650** | 1,636 |
| | **239,673** | 244,724 |
| Less: Consolidation adjustments | **(75,565)** | (76,555) |
| At 31 December | **164,108** | 168,169 |

| | The Company | |
|---|---|---|
| | **2012** | **2011** |
| | **RM'000** | **RM'000** |
| Total retained profits: | | |
| - realised | **1,584** | 1,715 |
| - unrealised | **-** | - |
| At 31 December | **1,584** | 1,715 |

# List of Properties

| No | Location | Description / Existing Use | Age of Buildings | Tenure | Approx. Land Area sq. ft. | Net Book Value at 31.12.2012 RM'000 | Date of Revaluation*/ Acquisition# |
|---|---|---|---|---|---|---|---|
| 1 | Lot No. 52500, 52501, 52502, 52503, 52504, 52505 & 52506, Bandar Baru Bangi, District of Sepang, State of Selangor Darul Ehsan. | Institutional, commercial and residential | Between 4 - 30 years | Freehold | 4.356 million | 110,082 | 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 1$^{1}/_{2}$ storey light industrial terraced factories | 15 years | Freehold | 9,558 | 645 | 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 | 17 years | Freehold | 2,799 | 749 | 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 | 29 years | Leasehold 99 years expiring in 2076 | 1,760 | 706 | 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 | 29 years | Leasehold 99 years expiring in 2076 | 1,760 | 591 | 11.06.02# |
| 6 | Lot No. P.T. 167, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan. | Intermediate four-storey shophouse | 29 years | Leasehold 99 years expiring in 2076 | 1,760 | 591 | 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 | 29 years | Leasehold 99 years expiring in 2076 | 1,760 | 591 | 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 | 29 years | Leasehold 99 years expiring in 2076 | 2,208 | 828 | 11.06.02# |
| 9 | Country Lease, No. 075356580, Sungai Tinosan, Sandakan, Sabah. | Land for future development | N/A | Leasehold 99 years expiring in 2074 | 291,850 | 633 | 10.03.05# |
| 10 | HS (M) 1156, Blok 7, Mukim of Dengkil, District of Sepang, State of Selangor Darul Ehsan. | Workshop | 7 years | Leasehold 99 years expiring in 2080 | 126,300 | 1,846 | 05.08.05# |
| 11 | HS (M) 3647, Mukim of Dengkil, District of Sepang, State of Selangor Darul Ehsan. | Land | N/A | Leasehold 99 years expiring in 2091 | 79,100 | 752 | 25.06.08# |
| 12 | No. Hakmilik Geran 79109, Lot 3223, Mukim of Beranang, District of Ulu Langat, State of Selangor Darul Ehsan. | Factory | 1 year | Freehold | 185,566 | 3,374 | 07.10.10# |
| 13 | No. Hakmilik Geran 210107, Lot 100812, Mukim of Tebrau, District of Johor Bahru, State of Johor Darul Takzim. | Two-storey shop office | 1 year | Freehold | 277 | 807 | 17.01.12# |
| 14 | Parcel No #17-16, Level 17, Type A Lot No HS(D) 452849 PTD 198871 Mukim of Plentong, District of Johor Bahru, State of Johor Darul Takzim. | Service apartment | 1 year | Leasehold 99 years expiring in 2105 | 609 | 322 | 18.10.12# |

| | |
|---|---|
| Authorised Share Capital | : RM300,000,000 |
| Issued and Paid-up Share Capital | : RM160,416,605 |
| Class of Shares | : Ordinary shares of RM0.50 each |
| Voting Rights | : One vote per ordinary share |

## DISTRIBUTION OF SHAREHOLDINGS

| | No. of Shareholders | | Number of Shares Held | | % of Shareholdings | |
|---|---|---|---|---|---|---|
| **Size of Holdings** | **Malaysian** | **Foreign** | **Malaysian** | **Foreign** | **Malaysian** | **Foreign** |
| 1 - 99 | 92 | 1 | 4,575 | 10 | 0.00 | 0.00 |
| 100 - 1,000 | 506 | 3 | 440,877 | 3,000 | 0.15 | 0.00 |
| 1,001 - 10,000 | 1,989 | 26 | 10,414,713 | 154,000 | 3.43 | 0.05 |
| 10,001 - 100,000 | 954 | 23 | 31,179,354 | 986,000 | 10.27 | 0.32 |
| 100,001 - 15,173,954* | 148 | 27 | 99,611,053 | 8,608,110 | 32.82 | 2.84 |
| 15,173,955 and above** | 6 | 0 | 152,077,418 | 0 | 50.11 | 0.00 |
| *****TOTAL** | 3,695 | 80 | 293,727,990 | 9,751,120 | 96.78 | 3.21 |

| | No. of Shareholders | No. of Shares Held | % of Shareholdings |
|---|---|---|---|
| **GRAND TOTAL** | 3,775 | 303,479,110 | 100.00 |

**Remarks:**
* * Less than 5% of issued holdings
* ** 5% and above of issued holdings
* *** Excluding 17,354,100 treasury shares

## SUBSTANTIAL SHAREHOLDERS

| | Direct Shareholdings | | Indirect Shareholdings | |
|---|---|---|---|---|
| **Directors** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Dato' Ir Chong Ket Pen | 83,710,292 | 27.58 | - | - |
| Lembaga Tabung Haji | 29,844,900 | 9.83 | - | - |
| Kingdom Seekers Ventures Sdn Bhd | 19,166,667 | 6.32 | - | - |
| Bradwardine Ltd | - | - | 19,166,667 | 6.32 (1) |
| Tey Por Yee | 50,682,348 | 16.70 | 19,166,667 | 6.32 (2) |

**Notes:**
1. Deemed interested pursuant to Section 6A of the Companies Act 1965 by virtue of its shareholdings in Kingdom Seekers Ventures Sdn Bhd
2. Deemed interested pursuant to Section 6A of the Companies Act 1965 by virtue of his shareholdings in Bradwardine Ltd

## DIRECTORS'S SHAREHOLDINGS

| | Direct Shareholdings | | Indirect Shareholdings | |
|---|---|---|---|---|
| **Directors** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Tan Sri Datuk Dr Hadenan Bin A Jalil | - | - | - | - |
| Dato' Ir Chong Ket Pen | 83,710,292 | 27.58 | 837,000 (a) | 0.28 |
| Dato' Mohd Hanif Bin Sher Mohamed | - | - | - | - |
| Tan Heng Kui | 652,900 | 0.22 | - | - |
| Ooi Kock Aun | 12,000,000 | 3.95 | - | - |
| Tan Yee Boon | - | - | - | - |
| Mohamad Farid Bin Mohd Yusof | - | - | - | - |

**Notes:** (a) By virtue of his interest via his spouse and children.

# List of Top 30 Shareholders
as at 3 May 2013

| NO. | NAME | HOLDINGS | % |
|---|---|---|---|
| 1 | YAP OON NEO | 36,287,028 | 11.96 |
| 2 | LEMBAGA TABUNG HAJI | 29,844,900 | 9.83 |
| 3 | CHONG KET PEN | 22,690,142 | 7.48 |
| 4 | JF APEX NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR CHONG KET PEN | 22,500,000 | 7.41 |
| 5 | RHB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TEY POR YEE | 21,588,681 | 7.11 |
| 6 | KENANGA CAPITAL SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR KINGDOM SEEKERS VENTURES SDN BHD | 19,166,667 | 6.32 |
| 7 | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TEY POR YEE | 9,345,000 | 3.08 |
| 8 | JF APEX NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR OOI KOCK AUN | 8,000,000 | 2.64 |
| 9 | AIBB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TEY POR YEE | 7,000,000 | 2.31 |
| 10 | KOON POH MING | 6,000,000 | 1.98 |
| 11 | JF APEX NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TEY POR YEE | 5,915,334 | 1.95 |
| 12 | KENANGA CAPITAL SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TEY POR YEE | 5,833,333 | 1.92 |
| 13 | FEDERLITE HOLDINGS SDN BHD | 5,100,900 | 1.68 |
| 14 | AIBB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR OOI KOCK AUN | 4,000,000 | 1.32 |
| 15 | YAP OON NEO | 2,233,122 | 0.74 |
| 16 | LAU YEET MEI | 2,175,385 | 0.72 |
| 17 | NUTOX LIMITED | 1,833,210 | 0.60 |
| 18 | HSBC NOMINEES (TEMPATAN) SDN BHD<br>HSBC (MALAYSIA) TRUSTEE BERHAD FOR AMANAH SAHAM SARAWAK | 1,500,000 | 0.49 |
| 19 | RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR FONG SILING | 1,500,000 | 0.49 |
| 20 | LAU YEET MEI | 1,435,158 | 0.47 |
| 21 | LIM WENG HO | 1,337,100 | 0.44 |
| 22 | NG TENG SONG | 1,258,900 | 0.41 |
| 23 | CHANG NYOK LIAN | 1,074,756 | 0.35 |
| 24 | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TEY POR YEE | 1,000,000 | 0.33 |
| 25 | YEW YOKE CHOO | 921,100 | 0.30 |
| 26 | WONG LEONG HUAT | 900,096 | 0.30 |
| 27 | TAY KAK CHOK | 898,000 | 0.30 |
| 28 | MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD<br>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD | 816,000 | 0.27 |
| 29 | YEOH OON CHENG | 806,300 | 0.27 |
| 30 | SHOPTRA JAYA (M) SDN BHD | 798,200 | 0.26 |
| | **TOTAL** | **223,759,312** | **73.73** |

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

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Twelfth Annual General Meeting of the Company will be held at Conference Hall, 1st Floor, Corporate Building, Unipark Suria, Jalan Ikram-Uniten, 43000 Kajang, Selangor Darul Ehsan on Thursday, 27 June 2013 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 2012 and the Reports of Directors and Auditors thereon. **(Ordinary Resolution 1)**

2. To approve the payment of a final single tier dividend of 4 sen per ordinary share for the financial year ended 31 December 2012. **(Ordinary Resolution 2)**

3. To re-elect Tan Sri Datuk Dr Hadenan Bin A Jalil retiring in accordance with Article 70 of the Company's Articles of Association. **(Ordinary Resolution 3)**

4. To re-elect the following Directors retiring in accordance with Article 76 of the Company's Articles of Association:

   (i) Dato' Mohd Hanif Bin Sher Mohamed **(Ordinary Resolution 4)**
   (ii) Mr Ooi Kock Aun **(Ordinary Resolution 5)**
   (iii) Mr Tan Heng Kui **(Ordinary Resolution 6)**
   (iv) Mr Tan Yee Boon **(Ordinary Resolution 7)**
   (v) En Mohamad Farid Bin Mohd Yusof **(Ordinary Resolution 8)**

5. To re-appoint Messrs Crowe Horwath as auditors of the Company and authorise the Directors to determine their remuneration. **(Ordinary Resolution 9)**

**As Special Business:**

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

6. **ORDINARY RESOLUTION - AUTHORITY TO ISSUE SHARES**

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

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

   "THAT subject to the Companies Act 1965 (Act), the Company's Memorandum and Articles of Association, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) and requirements of any other relevant authorities, the Directors of the Company be authorised to purchase its own shares through Bursa Securities, subject to the following:

   (a) The maximum number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the issued and paid-up ordinary share capital of the Company at any point in time;

   (b) The maximum fund to be allocated by the Company for the purpose of purchasing its shares shall not exceed the retained profits and/or share premium accounts of the Company. As at the latest financial year ended 31 December 2012, the audited retained profits and share premium account of the Company stood at RM1.584 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) varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first;

(d) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:

(i) cancel the shares so purchased;
(ii) retain the shares so purchased as treasury shares;
(iii) distribute the treasury shares as dividends to shareholders;
(iv) resell the treasury shares on Bursa Securities in accordance with the relevant rules of Bursa Securities; and
(v) any combination of the above (i), (ii), (iii) and (iv).

THAT the Directors of the Company be authorised to take all such steps as are necessary and enter into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares." **(Ordinary Resolution 11)**

8. **SPECIAL RESOLUTION - PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**

"THAT the amendments to the Articles of Association of the Company in the manner detailed in Appendix A attached to the Annual Report 2012 be hereby approved." **(Special Resolution)**

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 single tier dividend of 4 sen per ordinary share for the financial year ended 31 December 2012, if approved by shareholders, will be payable on 15 July 2013 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 2 July 2013. 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 2 July 2013 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

Petaling Jaya
3 June 2013

**NOTES:**

1. Only members whose names appear on the Record of Depositors as at 21 June 2013 shall be entitled to attend, speak and vote at the Twelfth Annual General Meeting.

2. 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.

3. A Member shall be entitled to appoint not more than two (2) proxies to attend and vote at the Twelfth 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.

4. 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.

5. 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.

6. 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 802, 8th 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 Twelfth Annual General Meeting or any adjournment thereof.

7. Explanatory notes on Special Business:

   **Ordinary Resolution 10** - The proposed Resolution 10, if passed, will give the Directors of the Company, from the date of the Twelfth Annual General Meeting, authority to allot and issue shares from the unissued capital of the Company for such purposes as the Directors may deem fit and in the interest of the Company. The authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

   As at the date of printing of the Annual Report on 22 May 2013, 20,833,210 new shares were issued by the Company pursuant to the authority granted to the Directors at the Eleventh Annual General Meeting held on 20 June 2012 via a private placement on 8 February 2013 and the said authority will lapse at the conclusion of the Twelfth Annual General Meeting.

   The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

   **Ordinary Resolution 11** - The proposed Resolution 11, if passed, will empower the Directors of the Company to purchase the Company's shares up to ten percent (10%) of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back") by utilising the funds allocated which shall not exceed the total retained earnings and share premium account of the Company. Further information on the Proposed Shares Buy-Back is set out in the Share Buy-Back Statement to Shareholders dated 3 June 2013, which is despatched together with the Company's Annual Report 2012.

   **Special Resolution** - The proposed Special Resolution is made to comply with the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Details on the Proposed Amendments to the Articles of Association of the Company are set out in Appendix A of this Annual Report.

# Appendix A

## Proposed Amendments To Articles Of Association Of The Company

| ARTICLE NO. | EXISTING PROVISION IN THE ARTICLES OF ASSOCIATION | PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION |
|---|---|---|
| 2 | Interpretation<br><br>**New Definition** | Interpretation<br><br>To be amended by inserting a new definition as follows:<br><br>**"Exempt Authorised Nominee**<br><br>An authorised nominee defined under Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act." |
| 31 | "Transmission of securities from Foreign Register<br><br>Where: -<br><br>(a) the securities of the Company are listed on another stock exchange; and<br><br>(b) such company is exempted from compliance with section 14 of the Securities Industry (Central Depositories) Act or section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such securities,<br><br>the company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the company in the jurisdiction of the another stock exchange (hereinafter referred to as "the Foreign Register"), to the register of holders maintained by the registrar of the company in Malaysia and vice versa (hereinafter referred to as "the Malaysian Register") provided that there shall be no change in the ownership of such securities." | To be amended by deleting existing Article 31 in its entirety and substituting with the following:<br><br>"Transmission of securities<br><br>Where: -<br><br>(a) the securities of the Company are listed on another stock exchange; and<br><br>(b) such company is exempted from compliance with section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such securities,<br><br>such company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities." |
| 58 | "Subject to any right or restriction for the time being attached to any classes of shares at meetings of Members or classes of Members each Member entitled to vote may vote in person or by proxy or by attorney and on show of hands, every person who is a Member personally present and entitled to vote or representative or proxy of a Member shall have one (1) vote and on poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each share he holds. A proxy or attorney shall be entitled to vote both on show of hands or on a poll. A proxy may but need not be a Member of the Company and the provision of Section 149(1)(b) of the Act shall not apply to the Company." | To be amended by substituting the existing Article 58 with the following:<br><br>"Subject to any right or restriction for the time being attached to any classes of shares at meetings of Members or classes of Members each Member entitled to vote may vote in person or by proxy or by attorney and on show of hands, every person who is a Member personally present and entitled to vote or representative or proxy of a Member shall have one (1) vote and on poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each share he holds. A proxy or attorney shall be entitled to vote on a show of hands or on a poll on any question at any general meeting. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy may but need not be a Member of the Company and the provision of Section 149(1)(b) of the Act shall not apply to the Company." |
| 68A | New Provision | To be amended by inserting the following new Article 68A<br><br>"Exempt Authorised Nominee<br><br>Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary share in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds. A Member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting." |

**PROTASCO BERHAD**

(548078-H)
(Incorporated in Malaysia)

# 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 on my/our behalf at the Twelfth Annual General Meeting of the Company to be held at Conference Hall, 1st Floor, Corporate Building, Unipark Suria, Jalan Ikram-Uniten, 43000 Kajang, Selangor Darul Ehsan on Thursday, 27 June 2013 at 10.00 a.m. and at any adjournment thereof.

| NO. | ORDINARY RESOLUTIONS | FOR | AGAINST |
|---|---|---|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2012 and the Reports of Directors and Auditors thereon. | | |
| 2. | To approve the payment of a final single tier dividend of 4 sen per ordinary share for the financial year ended 31 December 2012. | | |
| 3. | To re-elect Tan Sri Datuk Dr Hadenan Bin A Jalil as Director of the Company. | | |
| 4. | To re-elect Dato' Mohd Hanif Bin Sher Mohamed as Director of the Company. | | |
| 5. | To re-elect Mr. Ooi Kock Aun as Director of the Company. | | |
| 6. | To re-elect Mr. Tan Heng Kui as Director of the Company. | | |
| 7. | To re-elect Mr. Tan Yee Boon as Director of the Company. | | |
| 8. | To re-elect En. Mohamad Farid bin Mohd Yusof as Director of the Company. | | |
| 9. | To re-appoint Messrs. Crowe Horwath as Auditors of the Company and authorise the Directors to determine their remuneration. | | |
| 10. | To approve the Authority to Issue Shares. | | |
| 11. | To approve the Proposed Renewal of Share Buy-back Authority. | | |
| **NO.** | **SPECIAL RESOLUTION** | | |
| 1. | To approve the Proposed Amendments to the Company's Articles of Association. | | |

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 ....................................., 2013

| **Number of shares held** | |
|---|---|

________________________________
Signature of Shareholder or Common Seal

**Notes:**

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4. 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.
5. 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.
6. 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 802, 8th 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 Twelfth Annual General Meeting or any adjournment thereof.

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STAMP

The Company Secretaries

**PROTASCO BERHAD**
802, 8th Floor, Block C, Kelana Square
17, Jalan SS7/26, 47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Please Fold Here

PROTASCO BERHAD
548078-H

**Kuala Lumpur Office**
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**Kajang Office**
Corporate Building
Unipark Suria
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43000 Kajang, Selangor
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