Annual Report 2013


PROTASCO BERHAD
548078-H

## Mission

**SHAREHOLDERS**
To be a multi billion dollar company in terms of market capitalisation

**PROCESS**
To practise good corporate governance and operational excellence

**CUSTOMERS**
To exceed customers' expectations

**EMPLOYEES**
To become the employer of choice for the right talents

**SOCIETY**
To build and support sustainable communities

**TECHNOLOGY**
To improve efficiency and competitive advantage through innovative technologies

## Vision

To be an internationally acclaimed conglomerate ensuring growth and delivering value for a better quality of life

## CONTENTS



Core Values
Let's
Result Oriented
Ownership
Customer Focused
Knowledge Driven
Integrity
Teamwork

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

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

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

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

**Dato' Mohd Ibrahim Bin Mohd Nor**
Independent Non-Executive Director

**Tey Por Yee**
Non-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**
**Corporate Office**
Unipark Suria, Jalan Ikram-Uniten
43000 Kajang
Selangor Darul Ehsan
Malaysia
Tel : 603 8738 3388
Fax : 603 8926 4008

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

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 (AF 1018)
Chartered Accountants
Level 16, Tower C, Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia

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

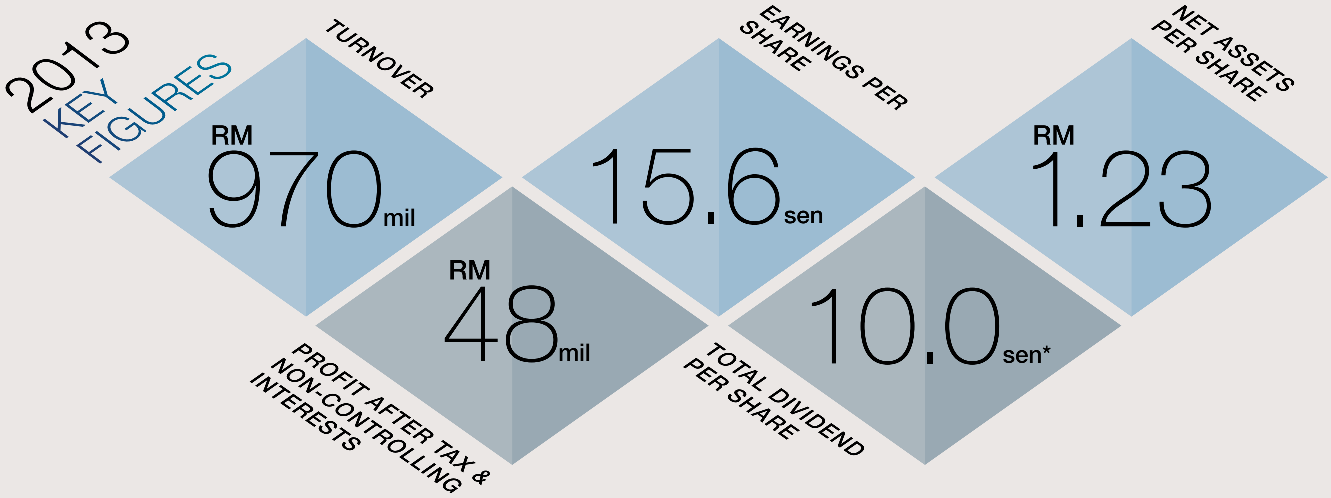
# CORPORATE STRUCTURE

## PROTASCO BERHAD

- **100%** HCM Engineering Sdn Bhd
  - **100%** HCM (L) Bhd
  - **78%** HCM Arabia Sdn Bhd
  - **78%** HCM-Ikhtisas Sdn Bhd
    - **49%** Libyan Malaysian Company for Roads & Construction
  - **70%** KPS-HCM Sdn Bhd
  - **70%** Permint Granite-HCM Sdn Bhd
  - **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 Paves 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)
  - **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
    - **100%** Protasco Land SA (Pty) Ltd
  - **64%** Sun Rock Development Sdn Bhd
- **63%** PT Anglo Slavic Indonesia
  - **95%** PT Firman Andalan Sakti
    - **70%** PT Hase Bumou Aceh

*Note: This structure depicts main operating subsidiary and associate companies only*

# GROUP FINANCIAL HIGHLIGHTS

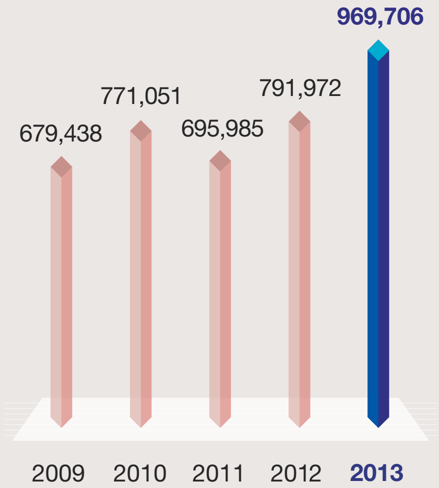



**YEAR ENDED 31 DECEMBER**

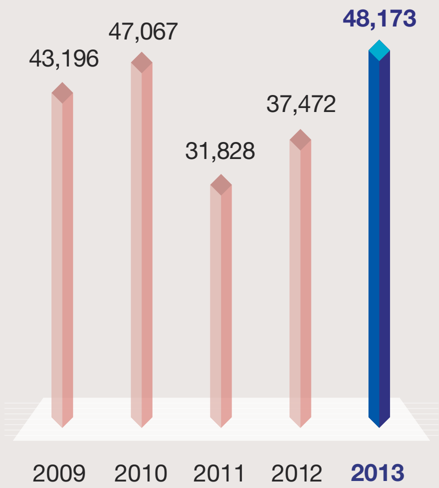
| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Turnover (RM'000) | 679,438 | 771,051 | 695,985 | 791,972 | **969,706** |
| Profit After Tax & Non-Controlling Interests (RM'000) | 43,196 | 47,067 | 31,828 | 37,472 | **48,173** |
| Earnings Per Share (sen) | 14.56 | 15.87 | 10.73 | 12.63 | **15.64** |
| Total Dividend Per Share (sen) | 9.0 | 10.0 | 8.0 | 14.0 | **10.0*** |
| Net Assets Per Share (RM) | 1.17 | 1.19 | 1.21 | 1.19 | **1.23** |

**Remarks***
Including a final single tier dividend of 6 sen per ordinary share in respect of the financial year ended 31 December 2013 which will be proposed for the shareholders' approval at the forthcoming Annual General Meeting.

# GROUP FINANCIAL HIGHLIGHTS



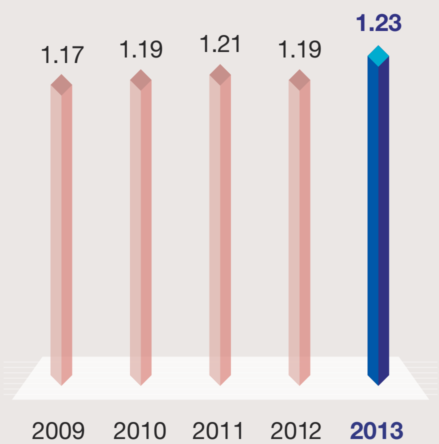

Turnover (RM'000)




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


Earnings Per Share (sen)


Total Dividend Per Share (sen)




Net Assets Per Share (RM)

# CORE BUSINESS DIVISIONS

MAINTENANCE

PROPERTY DEVELOPMENT

CONSTRUCTION

## THE PROTASCO GROUP

LEVERAGING ON OUR TECHNOLOGICAL STRENGTH, EXPERIENCED WORKFORCE AND DEDICATION TO EXCELLENCE, WE HAVE STEADILY DEVELOPED OUR CAPABILITIES INTO A ONE-STOP INTEGRATED INFRASTRUCTURE CENTRE SPECIALISING IN:

- **MAINTENANCE**
- **CONSTRUCTION**
- **PROPERTY DEVELOPMENT**
- **ENGINEERING & CONSULTANCY SERVICES**
- **EDUCATION**
- **TRADING & MANUFACTURING**

TRADING & MANUFACTURING


EDUCATION

ENGINEERING &
CONSULTANCY
SERVICES

WE CONTINUOUSLY LOOK TO EXPAND OUR BUSINESS IN AREAS OF OUR SPECIALTIES TO ADD VALUE TO OUR STAKEHOLDERS

# BOARD OF DIRECTORS

***Front: Seated from left to right***

Dato' Sri Ir Chong Ket Pen

Tan Sri Datuk Dr Hadenan Bin A Jalil

Dato' Mohd Hanif Bin Sher Mohamed

***Middle: Standing from left to right***

Ooi Kock Aun

Dato' Mohd Ibrahim Bin Mohd Nor

Ir Tan Heng Kui

Tey Por Yee

***Back: From left to right***

Tan Yee Boon

Mohamad Farid Bin Mohd Yusof

# DIRECTORS' PROFILE

## Tan Sri Datuk Dr Hadenan Bin A Jalil

***Chairman***
*Independent Non-Executive Director*
Malaysian, Age 68

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; a member of Johor Corporation's Audit Committee and a Director of 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.

# DIRECTORS' PROFILE

## Dato' Sri Ir Chong Ket Pen

*Executive Vice Chairman /*
*Group Managing Director*
Malaysian, Age 59

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

He has been a Director of Protasco Berhad since 15 May 2001 and was 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 Bachelor of Engineering (Honours) 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.

Dato' Sri Ir Chong Ket Pen has been a member of the Institute of Engineers Malaysia since 1984 and in the following year became a registered Professional Engineer with the Board of Engineers Malaysia (BEM). He has been admitted as member of the Institution of Civil Engineers, United Kingdom in 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 the 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 then 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 pavements.

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 62

Dato' Mohd Hanif Bin Sher Mohamed was appointed as Director of Protasco Berhad on 28 November 2012. He was also appointed 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 Chairman of Mieco Chipboard Berhad, Chairman of Credit Counselling and Debt Management Agency (AKPK) and Director of Credit Guarantee Corporation Berhad, Sivash Holdings Berhad and Danajamin Nasional Berhad.

Dato' Mohd Hanif was the Chief Executive Officer of Credit Corporation (Malaysia) Berhad and Chairman of Entrepreneur Rehabilitation Fund (Tabung Pemulihan Usahawanan). He was also a 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.

## Dato' Mohd Ibrahim Bin Mohd Nor

*Independent Non-Executive Director*
Malaysian, Age 55

Dato' Mohd Ibrahim Bin Mohd Nor was reappointed as Director of Protasco Berhad on 10 March 2014. He was a member of the Protasco Berhad Board from 23 November 2009 to June 2012 and held the position of Executive Deputy Chairman of Protasco Berhad from June to December of 2012.

Dato' Mohd Ibrahim is presently the Chairman of Blu Inc Group of Companies.

He began his career with the Asian International Merchant Bank Berhad (now part of Public Investment Bank Berhad) and Utama Wardley Berhad in 1983, until he joined The New Straits Times Press Group in 1988.

Following that, he was the Chief Operating Officer of Malakoff Berhad in 1994 and left to lead the privatisation of Padiberas Nasional Bhd (BERNAS) in late 1995. He became the Group Managing Director of BERNAS in 1996 and was its Vice Chairman from 2001 to 2003.

He was also the Executive Vice Chairman of Sistem Television Malaysia Bhd in 2001 and has held directorships in Malaysian Resources Corporation Sdn Bhd, The New Straits Times Press (M) Berhad and Kumpulan Ikram Sdn Bhd. He was Chairman of Malay Mail Sdn Bhd and Super Enterprise Holdings Berhad from 2008 to 2012 and 2008 to 2010 respectively. From January 2011 to May 2012, he was Chairman of Board of Governors of Kuala Lumpur Infrastructure University College, now known as Infrastructure University Kuala Lumpur.

Dato' Mohd Ibrahim graduated with a Bachelor of Arts in Mathematics (Minor in Economics) from Knox College, Illinois, United States of America in 1981 and obtained a Masters of Business Administration from Drake University, Iowa, United States of America in 1982.

## Tey Por Yee

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

Tey Por Yee was appointed Director of Protasco Berhad on 10 March 2014.

He obtained his Bachelor of Commerce degree, majoring in Business Administration and Finance from the University of Manitoba, Canada in 1998.

Tey is a businessman and venture capitalist. He founded Nexgram Holdings Berhad (formerly known as Nextnation Communication Berhad) and has been its Chief Executive Officer and Managing Director since 5 May 2005.

He is one of the core founders of Nextnation Group of companies, a diversified group in telecommunication, information technology, media and property investments. His investment focus is on emerging markets especially Asia Pacific, with special interest in technology, infrastructure and energy companies. He has been the Chairman and Executive Director of Wintoni Group Bhd since 25 June 2013.

He holds directorships in Nexgram Holdings Berhad and Wintoni Group Berhad.

# DIRECTORS' PROFILE

## Ir Tan Heng Kui

*Non-Independent Non-Executive Director*
Malaysian, Age 57

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

He obtained his Bachelor of Science (Honours) degree in Civil Engineering from The University of Wales, United Kingdom and is a Professional Engineer registered with the Board of Engineers Malaysia (BEM). He is also a Chartered Engineer with the Engineering Council, United Kingdom and is registered with the ASEAN Federation of Engineering Organisations (AFEO) as 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 of Incoprime Sdn Bhd since 1991. He has been appointed as Independent Director of Press Metal Berhad since 2001.

Ir Tan Heng Kui has more than 30 years of practical experiences in the engineering industry, mainly in water resources, waste water treatment, storm drainage, ports and industrial parks development projects.

His other professional and community services includes holding various positions such as National Vice President of The Institution of Engineers Malaysia (IEM) from 1999 to 2004, President of Sabah Engineers Association and President of the Rotary Club of Likas Bay. He was also the Chairman of IEM Sabah Branch from 1995 to 1997, 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 of BEM from 2001 to 2004 and a member of Dewan Bandaraya Kota Kinabalu High Risk Building Committee from 1995 to 2002.

## Ooi Kock Aun

*Independent Non-Executive Director*
Malaysian, Age 47

Ooi Kock Aun was appointed Director of Protasco Berhad on 10 December 2012, and 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 in 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 is also the Group Chief Finance Officer for Global Capital Ltd.

He started his career as a Tax Consultant with the Ernst & Young firm of Chartered Accountant in 1990 and held this position for three years before moving on to The Lion Group of Companies in Kuala Lumpur, Malaysia. At the Lion Group, he held various positions which includes the Group Manager, Corporate Planning from 1998 to 2001 and the Tax Manager from 1993 to 1997.

His other experiences and appointments include 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 39

Tan Yee Boon was appointed to the Protasco Board on 18 January 2013. He is also a member of the Nomination and 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 of the 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, corporate, litigation and advisory works.

## Mohamad Farid Bin Mohd Yusof

*Independent Non-Executive Director*
Malaysian, Age 55

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

He obtained his Master of Business Administration from University of Northern Colorado in the United States 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 the 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 Discounts Berhad 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 Director of 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's and Tey Por Yee's interests in related party transactions as disclosed in Note 47 and 48 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, Tey Por Yee 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.

# CHAIRMAN'S STATEMENT

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

Chairman

# VALUED SHAREHOLDERS,

## Protasco delivered a strong year of progressive growth in fiscal year 2013. With such positive result, it gives me great pleasure to present the annual report and financial statements for the Protasco Group.

The year 2012 was a consolidation year where we re-align our business into six (6) core divisions ie Maintenance, Construction, Property Development, Engineering and Consultancy Services, Education as well as Trading and Manufacturing. I am pleased to announce that these six (6) core divisions have improved their performances in terms of revenue generation and contribution to the profit of the Protasco Group.

### FINANCIAL PERFORMANCE

For the financial year ended 31 December 2013, the Group achieved revenue of RM969.7 million as compared to RM792.0 million in 2012, representing an increase of 22.4%. For the record, this year's turnover is the highest ever recorded by the Protasco Group. This was achieved by improved turnover in all six (6) divisions within the Group.

Profit after taxation and non-controlling interests improved by 28.6% from RM37.5 million in 2012 to RM48.2 million this year. I am proud to announce that this year's result is the best ever achieved by Protasco since its listing in 2003. In recognition of the performance for the year, the Board now recommends a final dividend in respect of the financial year ended 31 December 2013 of six (6) sen per share, amounting to approximately RM20.0 million, subject to shareholders' approval. Coupled with the interim dividend of four (4) sen per share paid in January this year, the total dividend is ten (10) sen per share.

# CHAIRMAN'S STATEMENT

## REVIEW OF OPERATIONS

Maintenance Division remains the highest contributor to the revenue of the Group. During the financial year under review, this division recorded a turnover of RM545.8 million, an improvement of 14% over the preceding year. Pre-tax profit, however, declined by 22%. This is mainly due to higher margin achieved in 2012 for the revised rates for periodic maintenance at the end of 2012, where costs have already been taken up in previous years.

Construction Division posted revenue of RM140.0 million in 2013, an improvement of 43% over the preceding year. This division made a turnaround from pre-tax loss of RM14.2 million to pre-tax profit of RM0.9 million. This is mainly attributable to the commencement of new road projects secured during the year.

Property Development Division contributed RM34.8 million and RM6.0 million in revenue and pre-tax profit respectively. The launch of De Centrum Phase 1 in late 2012, an integrated development comprising shops, shopping mall, SOHO and service apartments, received overwhelming response. This has contributed to the improved revenue and pre-tax profit. With unbilled sales of RM122.6 million as at 31 December 2013, the De Centrum Phase 1 will contribute positively in the year 2014.

The Engineering and Consultancy Services Division registered a turnover of RM62.8 million as compared to RM58.6 million in the preceding year, a turnaround from pre-tax loss of RM608,000 to pre-tax profit of RM10.6 million. This is mainly attributable to geotechnical and pavement evaluation works secured during the financial year.

Education Division, which operates the Infrastructure University Kuala Lumpur (IUKL), continued to contribute to the profitability of the Group. This division achieved a pre-tax profit of RM3.1 million, backed by a revenue of RM49.7 million. For the financial year under review, IUKL has exceeded its target for new students intake for three (3) semesters resulting in improved turnover and profitability.

Trading Division, which supports the Maintenance, Construction and Property Development divisions, registered improved turnover and pre-tax profit in line with the improved performances by these divisions.

## Group Revenue
# RM969.7 million
*Highest turnover ever recorded by the Protasco Group*

## Profit After Tax and Non-Controlling Interests
# RM48.2 million
*Highest achievement since Protasco was listed in 2003*


*Artist Impression of the De Centrum Mall*

# CHAIRMAN'S STATEMENT

## CORPORATE DEVELOPMENT

The Employees' Share Scheme (ESS), which was approved by the shareholders on 1 October 2013, has been successfully implemented with 1,441,000 ESS Shares granted and 5,764,000 ESS Options vested to the directors and employees. As at 31 December 2013, 2,519,800 shares have been exercised and listed on the Main Board of Bursa Malaysia Securities Berhad. The Board views that the implementation of the ESS will be able to retain and motivate the current employees as well as to attract potential employees in its aspiration to be an Employer of Choice.

The shareholders have approved the proposed private placements of shares and warrants as well as bonus issues of warrants to the existing shareholders on 30 January 2014. The proposed private placements, once implemented, will improve the Group's cash resources. The proceeds raised is timely to implement our new projects so as to improve the Group's future profits. The Group is also exploring new ventures which will enhance shareholders' value in the future.

The Group, through Protasco Development Sdn Bhd (PDSB), completed the joint venture for a development project in Pasir Gudang, Johor. Through the 64% equity stake in the joint venture company, Sun Rock Development Sdn Bhd, the Board views this as an opportunity for the Group to venture into property development in the southern state of Johor. Located strategically in the heart of Pasir Gudang, this 15 acres land will be developed into industrial hub, service apartments, SOHO and retail spaces.

The Group also ventured into the oil and gas sector through the acquisition of 63% equity interests in PT Anglo Slavic Indonesia (PT ASI). PT ASI's subsidiary, PT Hase Bumou Aceh operates 30 wells onshore in Kuala Simpang Timur in the Aceh Province, covering an area of approximately 20 km². With a profit guarantee of USD22 million over the next four (4) years, the Group is assured of profit contribution from this venture.

Road maintenance works in Bentong, Pahang

Artist impression of the 'Perumahan Penjawat Awam 1Malaysia' (PPA1M) project in Putrajaya

## LOOKING AHEAD

The steady income flow from the Maintenance Division will continue to accrue to the profit of the Protasco Group for the financial ending 31 December 2014.

The year 2014 will be an exciting year for the Construction Division. The Group secured a RM580 million contract to design, build and sell 1,680 units of affordable housing in Putrajaya under the 'Perumahan Penjawat Awam 1Malaysia' (PPA1M) project. Coupled with two (2) projects secured under the 'Perumahan Mampu Milik 1Malaysia' project valued at RM88 million, the Construction Division is expected to improve its profits in the ensuing years.

With unbilled sales of RM122.6 million from the development of De Centrum Phase 1, the Property Development Division's profits will be further enhanced. The Group plans to launch the Phase 2A of the De Centrum City, comprising 320 units of apartments in the second quarter of 2014. Similar to the Unipark Condominium launched in 2008, this phase is expected to generate a GDV of approximately RM200 million.

The Engineering and Consultancy Services Division has been entrusted by the Government of Malaysia to evaluate the safety of the runways in KLIA2 in February 2014. Dewan Bandaraya Kuala Lumpur has also appointed Kumpulan Ikram Sdn Bhd, a subsidiary within the division, as consultant to advice on the hill slope in Bukit Nanas, Kuala Lumpur.

We will continue to explore other business opportunities, both locally and internationally, either through acquisitions or joint ventures, to further enhance the shareholders' value. With our cash resources of RM207.4 million as at 31 December 2013, we are in the position to explore these ventures.

We are cautiously optimistic of a better performance in 2014.

## APPRECIATION

I would like to welcome YBhg Dato' Mohd Ibrahim Bin Mohd Nor and Mr Tey Por Yee to the Board of Protasco. To my colleagues on the Board, I would like to record my appreciation for their guidance and support given to the Board as well as through various functions and committees.

To the management and all employees under the leadership of YBhg Dato' Sri Ir Chong Ket Pen, I would like to thank you all for the hard work and dedication that has allowed us to record an improved results.

Lastly, to our valued shareholders, I wish to thank you for your loyalty and continued support in us. I sincerely believe that we can deliver more values and returns to your investments in the coming years.

**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 subscribe to the principles of sustainable development and continuously seek to identify opportunities to maximise positive impacts of our activities to our employees, 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 employees' career aspirations.

At various subsidiaries of the Group, budgets are allocated for staff activities of their own choice. This way, camaraderie between members of departments is encouraged. The Group also provides a Ringgit for 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 and language classes are conducted for the employees. The Protasco i-Portal, a platform to access and share information and communicate among employees, is continuously being improved.

## THE COMMUNITY

We seek to improve the role we play in the community, integrating their needs into our operations 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). IUKL continues to improve the quality of its programmes to contribute to the community and the nation.

Excellent students continue to be rewarded with fee waiver on their following semester's tuition fees. This practice had been put in place as the University 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 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.

## 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; geotechnical services and property development.

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

Its geotechnical services particularly in the treatment of slopes, encourage the use of environment friendly techniques such as the soil confinement systems that promotes the growth of vegetation, therefore keeping a balance in the ecosystem.

The Group's De Centrum Mall is working towards Malaysia's Green Building Index (GBI) certification. The mall will improve energy consumption by optimising the orientation of the building, minimising solar heat gain and harvesting natural lighting. Its innovative roof design will promote the use of natural ventilation, while water harvesting and water saving systems will further reduce the future shopping centre's carbon footprint.

*1. Kumpulan Ikram Sdn Bhd staff visited Badan Amal Nur Zaharah, a privately run home for underprivileged youth, in Janda Baik, Pahang*

*2. Slope repair project at Jalan Bukit Nanas, Kuala Lumpur*

*3. Library Book Programme - Donating quality English reading materials to both primary and secondary schools*

2

1

3

# CALENDAR OF EVENTS

## MARCH 2013

### 26 - 28 March 2013

**14th REAAA Conference 2013**

Protasco Berhad participated in the 14th Road Engineering Association of Asia and Australasia (REAAA) Conference 2013 which was held in collaboration with the International Construction Week 2013 (ICW 2013).

The REAAA is a platform for industry players to meet up, collaborate and share experiences.

Protasco Berhad was in the main organising committee of the conference and was one of the conference's sponsors. This is also one of Protasco's efforts to give back to the industry.

*The 14th REAAA Conference 2013 was held in Kuala Lumpur on 26 - 28 March 2013*

## APRIL 2013

### 06 April 2013

**IUKL signs MOU with ICATS**

A Memorandum of Understanding (MOU) was signed between Infrastructure University Kuala Lumpur (IUKL) and the International College of Advanced Technology Sarawak (ICATS) on 6 April 2013.

One of the objectives of the MOU is to allow the ICATS students to transfer into the second year of the bachelor degree programmes of IUKL.

Under this MOU, diploma graduates from ICATS will articulate into IUKL's undergraduate civil and mechanical engineering programmes.

*IUKL signs MOU with ICATS*

## MAY 2013

### 21 May 2013

**Protasco bags RM37m Kedah road works**

Protasco Berhad's subsidiary, HCM-Molek JV Sdn Bhd, was awarded a road project worth RM37million from the Public Works Department.

The project is to upgrade the road from Jambatan Sungai Durian to FELCRA Bukit Tampoi, Kuala Nerang in Kedah. The contract is for nine (9) months, expected to end in February 2014.

## JUNE 2013

### 11 June 2013

**Protasco receives RM50.4m job**

Protasco Berhad, through its subsidiary, HCM Engineering Sdn Bhd, was awarded a RM50.4 million contract to construct the proposed infrastructure package in Desaru Coast Course, Johor.

The contract includes road and drainage works for a period of 12 months, commencing 17 June 2013.

### 17 June 2013

**Ikram signs MOC with UKM Pakarunding**

A Memorandum of Collaboration (MOC) was signed between Kumpulan Ikram Sdn Bhd (KISB) and UKM Pakarunding Sdn Bhd on 17 June 2013. Through the MOC both parties will practice mutual consultation in their respective expertise.

*KISB signs with UKM Pakarunding*

## JULY 2013

### 15 July 2013

**Protasco bags RM23m Sarawak contract from JKR**

Protasco Berhad through its subsidiary, HCM Engineering Sdn Bhd, was awarded a periodic maintenance work contract for Federal Roads in Zone 2A, Sarawak. The contract is worth RM23 million.

## SEPTEMBER 2013

### 03 September 2013

**Asdion and Protasco team up for property development**

Asdion Berhad and Protasco Berhad have teamed up to undertake property development in Johor Bahru.

The venture would enhance Protasco Berhad's landbank.

### 11 September 2013

**Infrastructure University Innovation and Invention Competition 2013**

IUKL held its 3rd Infrastructure University Innovation and Invention Competition 2013 (IUIIC 2013) on 11 September 2013. The event was officiated by YBhg Datuk Dr Abu Bakar Mohamad Diah, the Deputy Minister of the Ministry of Science, Technology and Innovation (MOSTI).

*Exhibitors explaining to YBhg Datuk Dr Abu Bakar the concept behind their display*

## OCTOBER 2013

### 01 October 2013

**Protasco Berhad's Extraordinary General Meeting (EGM) on proposed establishment of an Employees' Share Scheme**

Protasco Berhad held an EGM on 1 October 2013 to seek the shareholders' approval for the establishment of an Employees' Share Scheme of up to 15% of the issued and paid-up capital of the Company.

### 23 October 2013

**Putrajaya Corp awards PPA1M RM578.5m construction job to Protasco**

Protasco Berhad, through its subsidiary Protasco Development Sdn Bhd, was appointed by Putrajaya Corporation to construct 1,680 apartment units in Putrajaya under the 'Perumahan Penjawat Awam 1Malaysia' (PPA1M) project.

The project is estimated to cost RM578.5 million and to be completed within 24 months.

## DECEMBER 2013

### 18 December 2013

**'Copenhagen Solutions for Sustainable Cities' exhibition at IUKL**

An exhibition on 'Copenhagen Solutions for Sustainable Cities' was organised by IUKL on 18 December 2013, in collaboration with the Embassy of Denmark.

The exhibition aims to enlighten viewers on ideas to make cities more liveable and sustainable despite economic developments.

IUKL students' also showcased their products and findings, in line with the goal of the exhibition.

### 20 December 2013

**PPA1M project ground breaking ceremony**

A ground breaking ceremony for the 'Perumahan Penjawat Awam 1Malaysia' (PPA1M) project took place at Precinct 6, Putrajaya on 20 December 2013. The ceremony was officiated by YBhg Tan Sri Dr Ali Bin Hamsa, Ketua Setiausaha Negara.

*YBhg Tan Sri Dr Ali Bin Hamsa performing the symbolic act of groundbreaking*

# CALENDAR OF EVENTS

## JANUARY 2014

### 22 January 2014

**Protasco gets RM88m worth of housing projects**

Protasco Berhad's subsidiary, HCM Engineering Sdn Bhd, was appointed the main contractor for the 'Perumahan Mampu Milik 1Malaysia' project which is worth RM88.1 million by Koperasi Pembangunan Hartanah Putrajaya Berhad.

The project involves designing and building of 907 single-storey terrace houses in Manjung, Perak and 237 single-storey terrace houses in Jelebu, Negeri Sembilan. The projects are to be completed within 18 months from the date of site possession.

### 29 January 2014

**Protasco Berhad enters into an agreement with PT Anglo Slavic Utama**

Protasco Berhad entered into an agreement with PT Anglo Slavic Utama to acquire 63% equity interest in PT Anglo Slavic Indonesia for the oil and gas business in Indonesia.

### 30 January 2014

**Protasco Berhad's Extraordinary General Meeting (EGM) on proposed Private Placement and proposed Provision of Financial Assistance**

Protasco Berhad held an EGM on 30 January 2014 to seek the shareholders' approval for the proposed Private Placement of up to 50,000,000 new ordinary shares together with up to 100,000,000 new detachable warrants and the proposed Bonus Issue of up to 33,546,259 free warrants.

The EGM also seek the shareholders' approval for the proposed provision of financial assistance for the development of the Pasir Gudang Land.

## FEBRUARY 2014

### 21 February 2014

**Minister of Works visits HCM-Molek JV Sdn Bhd project site**

The Minister of Works, YBhg Datuk Hj Fadhillah Bin Hj Yusof visited the site of 'Projek Menaiktaraf Jalan dari Jambatan Sungai Durian ke FELCRA Bukit Tampoi, Kuala Nerang, Kedah' on 21 February 2014. The Minister was briefed on the progress of the project by the Pengarah JKR Kedah, Tuan Hj Samsudin Bin Bakar. The RM37 million project is expected to be completed as scheduled.

## APRIL 2014

### 09 April 2014

**Protasco launches its Vision & Mission Statement**

Protasco Berhad launched its brand new Vision & Mission Statement in an event that was attended by more that 800 staff representatives. The event also unveiled a set of Core Values that will facilitate the Group in uniting people from the whole organisation to achieve Protasco's Vision.

### 10 April 2014

**Protasco Berhad meets with financial analysts and fund managers**

YBhg Dato' Sri Ir Chong Ket Pen addressed an audience of financial analysts and fund managers in a talk that was organised by MIDF Amanah Investment Bank Berhad. The talk was on Road Construction and Maintenance in Malaysia, with a focus on Protasco Berhad.


*YBhg Dato' Sri Ir Chong Ket Pen addressing the audience*

# AUDIT COMMITTEE REPORT

## 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 fulfil the requirements as prescribed in the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

### 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 auditor 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, performance and deviations therefrom.

# AUDIT COMMITTEE REPORT

**b) Financial Reporting**

The Committee is to review:

i. The quarterly financial report and year-end financial statements prior to the Board's approval; and
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; and
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; and
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 seven (7) meetings during the financial year ended 31 December 2013.

# AUDIT COMMITTEE REPORT

The attendance of members is as follows:

| Member | Attendance |
|---|---|
| Tan Sri Datuk Dr Hadenan Bin A Jalil | 6/7 |
| Dato' Mohd Hanif Bin Sher Mohamed | 7/7 |
| Ooi Kock Aun | 7/7 |

## 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 internal audit plan and discuss 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 and verify the allocation of share options/share grants under the Employees' Share Scheme at the end of the financial year to ensure compliance with the established criteria;

e) 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; and

f) 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 2013 were approximately RM230,000.

None of the issues raised during audit review had any significant impact to 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.

# STATEMENT ON CORPORATE GOVERNANCE

## 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 13 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 nine (9) members of the Board comprising one (1) Executive and eight (8) Non-Executive Directors. The ratio of Independent Directors to Non-Independent Directors is 6:3.

There is a balance in the Board with the presence of six (6) Independent Directors in the nine (9) 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.

The Board had conducted assessment on the independence of the Independent Directors. None of the Independent Directors has serviced the Company for more than a cumulative term of nine (9) years.

### 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.

# STATEMENT ON CORPORATE GOVERNANCE

### Board Meetings

During the year under review, nine (9) board meetings were held. Except for both Tan Sri Datuk Dr Hadenan Bin A Jalil and Tan Yee Boon who had attended 8/9 and 7/9 meetings respectively, and Dato' Mohd Ibrahim Bin Mohd Nor and Tey Por Yee who were appointed subsequent to the last meeting held in 2013, the other Directors had attended all the Board Meetings held.

### 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 and Remuneration Committee and Its Processes

Protasco Berhad's Nomination and Remuneration Committee (Committee) is made up of three (3) Independent Non-Executive Directors. The 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 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 Committee, would evaluate and decide on the appointment of the proposed candidates.

During the financial year, the Committee had reviewed and assessed the remuneration package of the Executive Vice Chairman / Group Managing Director.

### Appointments and 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.

### Remuneration Policy

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.

# STATEMENT ON CORPORATE GOVERNANCE

Details of the Directors' Remuneration for the financial year ended 31 December 2013 are as follows:

| | RM'000 |
|---|---|
| Executive: | |
| Salaries and emoluments | 1,000 |
| Bonus | 195 |
| Contibutions to defined contribution plans | 143 |
| Estimated money value of benefits-in-kind | 35 |
| Share based payments | 504 |
| | 1,877 |
| Non-Executive: | |
| Fees and other emoluments | 395 |
| Share based payments | 454 |
| | 2,726 |

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

| | No. of Directors |
|---|---|
| Executive: | |
| RM1,000,001 - RM1,500,000 | 1 |
| Non-Executive: | |
| Below RM50,000 | 4 |
| RM50,001 - RM100,000 | 1 |
| RM150,001 - RM200,000 | 1 |

Executive Directors

The remuneration of the Executive Directors shall be proposed and subject to review by the Committee for Directors' approval. The 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 Committee for the Board's approval.

# STATEMENT ON CORPORATE GOVERNANCE

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.

**ESS Committee**

At an Extraordinary General Meeting of the Company held on 1 October 2013, the shareholders approved the establishment of an Employees' Share Scheme (ESS). The scheme came into effect on 4 October 2013 for a period of five (5) years with an option to extend for another five (5) years. Subsequently, an ESS Committee was established with delegated authority to assist the Board in determining all questions of policy and expediency that may arise in the administration of the scheme and generally exercises all acts that are required and necessary to promote the best interest of the Company. The ESS Committee administers the scheme in accordance with the ESS By-Laws and the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The ESS Committee also oversees the Management's implementation of the scheme with regard to the eligibility of the employees to participate in the scheme, ESS shares grant, option offers, offer date, basis of allotment, exercise of option and option allocations (after taking into consideration the performance, seniority and number of years of service as well as the employees' actual or potential contribution to the Group) as well as dispute and termination issues in relation to the scheme in line with the ESS By-Laws.

The ESS Committee shall within the duration of the scheme, grant ESS shares or make offers to any eligible employee whom the ESS Committee may in its discretion select to subscribe for new Protasco shares.

The ESS Committee meets as and when necessary and during the financial year ended 31 December 2013 the ESS Committee met once.

# STATEMENT ON CORPORATE GOVERNANCE

## 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 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 3388   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.

# STATEMENT ON CORPORATE GOVERNANCE

## 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 38 to 143 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 34 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 that 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 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 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 assurance 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 regularly 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 regularly 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 Board Audit Committee comprises of 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 programs 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 systems will be continuously carried out to ensure the ongoing effectiveness of the system.

### Review of the Statement by External Auditors

The Statement has been reviewed by the External Auditors for the inclusion in the Annual Report of the Company for the year ended 31 December 2013 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 the risk management and internal controls.

# OTHER COMPLIANCE INFORMATION

**1. Share Buy-Back**

The Company had at its Twelfth Annual General Meeting held on 27 June 2013 obtained approval of the shareholders in relation to the Share Buy-Back authority, whereby the Directors are authorised to purchase and/or hold at any point of time up to ten percent (10%) of the issued and paid share capital of the Company for the time being quoted on the Bursa Malaysia Securities Berhad.

For the financial year ended 31 December 2013, the Company purchased a total of 14,019,300 shares, all of which are retained as treasury shares. None of the shares purchased has been sold or cancelled during the financial year ended 31 December 2013. As at 31 December 2013, a total of 17,355,100 ordinary shares were held as treasury shares. 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'000) |
|---|---|---|---|---|---|
| | | Lowest | Highest | | |
| February | 1,000 | 1.02 | 1.02 | 1.02 | 1 |
| March | 10,117,300 | 0.98 | 1.14 | 1.12 | 11,293 |
| April | 3,900,000 | 1.06 | 1.09 | 1.08 | 4,199 |
| September | 1,000 | 1.32 | 1.32 | 1.32 | 1 |
| **TOTAL** | **14,019,300** | | | | **15,494** |

**2. American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programmes**

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

**3. Imposition of Sanctions and/or Penalties**

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

**4. Non-Audit Fees**

There were no non-audit fees paid to the external auditors of the Group for the financial year ended 31 December 2013.

**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 2013.

**6. Profit Guarantee**

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

**7. Material Contracts**

Other than as disclosed in the Note 47 and 48 of the Financial Statements, there is no material contract entered into by the Company or its subsidiaries involving Directors' and major shareholders' interests since the end of previous financial year.

# OTHER COMPLIANCE INFORMATION

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

Employees' Share Scheme (ESS)

The details of the ESS for the financial year ended 31 December 2013 were as follows:

| | |
|---|---|
| Total number of ESS shares granted | 1,441,000 |
| Total number of ESS options vested | 5,764,000 |
| Total number of ESS options exercised | 2,519,800 |
| Total number of ESS options forfeited | 40,000 |
| Total number of ESS options outstanding | 3,204,200 |
| **ESS Shares and Options granted to Executive Directors in office** | |
| Total number of ESS shares granted | 200,000 |
| Total number of ESS options vested | 800,000 |
| Total number of ESS options exercised | 800,000 |
| Total number of ESS options forfeited | - |
| Total number of ESS options outstanding | - |
| **ESS Shares and Options granted to Executive Directors and Senior Management in office** | |
| Aggregate maximum allocation in percentage | 38% |
| Actual percentage granted and vested | 38% |

ESS Options granted to Non-Executive Directors in respect of the financial year ended 31 December 2013 are disclosed on page 43 of the Annual Report.

The Audit Committee has reviewed and verified that the allocations granted during the financial year were in accordance with the allocation criteria approved by the ESS Committee and in compliance with the ESS By-Laws.

The Company did not issue any warrants or convertible securities during the financial year ended 31 December 2013.

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

On 18 July 2013, the Company announced the placement of 7,431,380 new ordinary shares of RM0.50 each (PB Shares) following the listing of and quotation for the said new PB Shares on Bursa Securities at an issue price of RM1.14 per PB Share. The proceeds of RM8.471 million from the above mentioned Placement has been fully utilised for working capital requirements.

**10. Recurrent Related Party Transactions**

Details of the Recurrent Related Party Transactions are disclosed in Note 47 of the Financial Statements.

# 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 2013.

## 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 | 73,029 | 24,820 |
| Attributable to: | | |
| Owners of the Company | 48,173 | 24,820 |
| Non-controlling interests | 24,856 | - |
| | 73,029 | 24,820 |

## DIVIDENDS

Since the end of the previous financial year, the Company:

(a) paid a final single tier dividend of 4 sen per ordinary share amounting to RM12,139,164 in respect of the financial year ended 31 December 2012 as proposed in the directors' report of that financial year; and

(b) declared an interim single tier dividend of 4 sen per ordinary share amounting to RM12,594,812 in respect of the current financial year and paid on 2 January 2014.

At the forthcoming Annual General Meeting, the directors recommend a final single tier dividend of 6 sen per ordinary share in respect of the financial year ended 31 December 2013 amounting to approximately RM18,892,217 computed based on the issued and paid-up share capital with voting rights as at 31 December 2013 of 314,870,290 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 2014.

# DIRECTORS' REPORT

## 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 share capital of the Company;

(b) the Company increased its issued and paid-up share capital from RM150,000,000 to RM166,112,695 by the issuance of 32,225,390 new ordinary shares of RM0.50 each for cash pursuant to the following exercises:

| | Number Of Ordinary Shares Of RM0.50 | Term Of Issue | Purpose Of Issue |
|---|---|---|---|
| First private placement on 8 February 2013 at an issue price of RM1.10 per ordinary share | 20,833,210 | Cash | For working capital. |
| Second private placement on 17 July 2013 at an issue price of RM1.14 per ordinary share | 7,431,380 | Cash | For working capital. |
| Employees' Share Scheme Shares at an issue price of RM1.32 | 1,441,000 | Cash | Shares granted to employees pursuant to the Employees' Share Scheme. |
| Employees' Share Scheme Options at an exercise price of RM1.19 | 2,519,800 | Cash | Options granted to employees pursuant to Employees' Share Scheme and exercised by the employees. |
| | 32,225,390 | | |

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company; and

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

# DIRECTORS' REPORT

## TREASURY SHARES

During the financial year, the Company purchased 14,019,300 (2012 - 1,000) of its issued ordinary shares from the open market at market prices ranging from RM0.98 to RM1.32 (2012 - RM0.92) per share. The total consideration paid for the purchase including transaction costs amounted to RM15,494,131 (2012 - RM966). 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 2013, the Company held as treasury shares a total of 17,355,100 (2012 - 3,335,800) of its 332,225,390 (2012 - 300,000,000) issued and paid-up ordinary shares. The treasury shares are held at a carrying amount of RM18,328,814 (2012 - RM2,834,683). The 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 except for the share options granted pursuant to the Employees' Share Scheme below.

## EMPLOYEES' SHARE SCHEME

The Employees' Share Scheme (ESS) of the Company is governed by the ESS By-Laws and was approved by shareholders on 1 October 2013. The ESS is to be in force for a period of 5 years effective from 4 October 2013.

The main features of the ESS are disclosed in Note 25 to the financial statements.

During the financial year, the Company granted 1,441,000 new ordinary shares under the ESS (ESS Shares). The ESS Shares were issued at an issue price of RM1.32 and awarded to eligible employees pursuant to the Company's ESS.

During the financial year, the Company granted 5,764,000 share options under the ESS (ESS Options). The ESS Options are immediately vested on the grant date and exercisable at any time prior to the expiry date. The ESS Options expire on 31 October 2014.

The option prices and the details in the movement of the options granted are as follows:

| | | Number Of Options Over Ordinary Shares Of RM0.50 Each | | | | |
|---|---|---|---|---|---|---|
| **Date of Offer** | **Exercise Price** | **At 4.10.2013** | **Granted** | **Forfeited** | **Exercised** | **At 31.12.2013** |
| 17 October 2013 | RM1.19 | - | 5,764,000 | (40,000) | (2,519,800) | 3,204,200 |

The options forfeited during the financial year were due to retirement of an employee.

# DIRECTORS' REPORT

## EMPLOYEES' SHARE SCHEME (CONT'D)

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of holders to whom options have been granted to subscribe for less than 80,000 ordinary shares of RM0.50 each. The names of option holders granted options to subscribe for 80,000 or more ordinary shares of RM0.50 each during the financial year, other than directors whose details are disclosed in the section on Directors' Interests in this report, are as follows:

| | Number Of Options Over Ordinary Shares Of RM0.50 Each | | | | |
|---|---|---|---|---|---|
| | At 4.10.2013 | Granted | Exercised | Forfeited | At 31.12.2013 |
| Su-Azian @ Muzaffar Syah Bin Abd Rahman | - | 400,000 | - | - | 400,000 |
| Chong Ther Nen | - | 400,000 | (400,000) | - | - |
| Lim Yew Ting | - | 400,000 | (315,000) | - | 85,000 |
| Mohd Taufik Bin Haron | - | 240,000 | - | - | 240,000 |
| Khor Hooi Ling | - | 200,000 | - | - | 200,000 |
| Mohd Azman Bin Yaacob | - | 80,000 | - | - | 80,000 |
| Chia Kwok Kin | - | 80,000 | (80,000) | - | - |
| Tan Swee Kee | - | 80,000 | (80,000) | - | - |
| Edward Khoo Mong Wei | - | 80,000 | (80,000) | - | - |
| Sia Kee Seong | - | 80,000 | - | - | 80,000 |
| Ronnie Yap Kee Tian | - | 80,000 | - | - | 80,000 |
| Han Long Kong | - | 80,000 | - | - | 80,000 |
| Ooi In Ou | - | 80,000 | (40,000) | (40,000) | - |
| Muhammad Hafidzi Bin Abu Bakar | - | 80,000 | - | - | 80,000 |
| Chow Siew Meng | - | 80,000 | - | - | 80,000 |

## 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.

# DIRECTORS' REPORT

## VALUATION METHODS

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

## CONTINGENT AND OTHER LIABILITIES

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

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

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

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

## CHANGE OF CIRCUMSTANCES

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

## ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial 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' Sri Chong Ket Pen
Dato' Mohd Hanif Bin Sher Mohamed
Ooi Kock Aun
Tan Heng Kui
Mohamad Farid Bin Mohd Yusof (Appointed on 18.1.2013)
Tan Yee Boon (Appointed on 18.1.2013)
Dato' Mohd Ibrahim Bin Mohd Nor (Appointed on 10.3.2014)
Tey Por Yee (Appointed on 10.3.2014)

# DIRECTORS' REPORT

## 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 1.1.2013/ Date Of Appointment | Bought/ Allotted | Sold | At 31.12.2013 |
| *Direct Interests* | | | | |
| Tan Sri Datuk Dr Hadenan Bin A Jalil | - | 40,000 | - | 40,000 |
| Dato' Sri Chong Ket Pen | 45,190,142 | 39,520,150 | (37,632,650) | 47,077,642 |
| Dato' Mohd Hanif Bin Sher Mohamed | - | 540,000 | - | 540,000 |
| Ooi Kock Aun | 9,000,000 | 8,200,000 | (10,000,000) | 7,200,000 |
| Tan Heng Kui | 592,900 | 5,160,000 | - | 5,752,900 |
| Mohamad Farid Bin Mohd Yusof | - | 20,000 | - | 20,000 |
| Tan Yee Boon | - | 20,000 | - | 20,000 |
| *Indirect Interest* | | | | |
| Dato' Sri Chong Ket Pen | 837,000 | 30,632,650 | - | 31,469,650 |

By virtue of his interest in the Company, Dato' Sri 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.

In addition to the above, the following directors who were in office at the end of the financial year are deemed to have interests in the shares of the Company to the extent of the options granted to them pursuant to the ESS of the Company:

| | Number Of Options Over Ordinary Shares Of RM0.50 Each | | | |
|---|---|---|---|---|
| | At 4.10.2013 | Granted | Exercised | At 31.12.2013 |
| *Direct Interests* | | | | |
| Tan Sri Datuk Dr Hadenan Bin A Jalil | - | 160,000 | - | 160,000 |
| Dato' Sri Chong Ket Pen | - | 800,000 | (800,000) | - |
| Dato' Mohd Hanif Bin Sher Mohamed | - | 160,000 | - | 160,000 |
| Ooi Kock Aun | - | 160,000 | (160,000) | - |
| Tan Heng Kui | - | 80,000 | (80,000) | - |
| Mohamad Farid Bin Mohd Yusof | - | 80,000 | - | 80,000 |
| Tan Yee Boon | - | 80,000 | - | 80,000 |
| *Indirect Interests* | | | | |
| Dato' Sri Chong Ket Pen | - | 400,000 | (400,000) | - |

# DIRECTORS' REPORT

## DIRECTORS' BENEFITS

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

Neither during nor at the end of the financial year was the 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 other than the options granted to the directors pursuant to the ESS of the Company.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 48 to the financial statements.

## SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 49 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 28 April 2014.

**Dato' Sri Chong Ket Pen**

**Dato' Mohd Hanif Bin Sher Mohamed**

# STATEMENT BY DIRECTORS

We, Dato' Sri 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 48 to 143 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 financial position of the Group and of the Company at 31 December 2013 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 54, 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 28 April 2014.

**Dato' Sri Chong Ket Pen**

**Dato' Mohd Hanif Bin Sher Mohamed**

# STATUTORY DECLARATION

I, Muhammad Hafidzi Bin 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 48 to 143 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 Bin Abu Bakar )
at Kuala Lumpur in the Federal Territory )
on this 28 April 2014 )

**Muhammad Hafidzi Bin Abu Bakar**

Before me

Lai Din
W668
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 2013 of the Group and of the Company, and the statements of profit or loss and other 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 48 to 143.

*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 2013 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.

# INDEPENDENT AUDITORS' REPORT

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

**Other Reporting Requirements**

The supplementary information set out in Note 54 on page 144 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

28 April 2014

Kuala Lumpur

# STATEMENTS OF FINANCIAL POSITION
At 31 December 2013

| | Note | The Group 2013 RM'000 | The Group 2012 RM'000 | The Company 2013 RM'000 | The Company 2012 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| NON-CURRENT ASSETS | | | | | |
| Investment in subsidiaries | 5 | **-** | - | **129,179** | 129,179 |
| Investment in associates | 6 | **110** | 96 | **-** | - |
| Property, plant and equipment | 7 | **174,997** | 178,819 | **25** | 3 |
| Investment property | 8 | **14,099** | 1,433 | **-** | - |
| Land held for property development | 9 | **2,082** | 2,341 | **-** | - |
| Goodwill on consolidation | | **36** | - | **-** | - |
| Long-term investments | 10 | **225** | 195 | **-** | - |
| Deferred tax assets | 11 | **44** | - | **-** | - |
| | | **191,593** | 182,884 | **129,204** | 129,182 |
| CURRENT ASSETS | | | | | |
| Inventories | 12 | **1,288** | 1,205 | **-** | - |
| Property development costs | 13 | **16,383** | 7,901 | **-** | - |
| Amount owing by contract customers | 14 | **1,109** | 4,386 | **-** | - |
| Trade receivables | 15 | **308,487** | 255,335 | **-** | - |
| Other receivables, deposits and prepayments | 16 | **115,835** | 85,859 | **50,081** | 50,005 |
| Amount owing by subsidiaries | 17 | **-** | - | **69,772** | 48,873 |
| Amount owing by associates | 18 | **3,483** | 2,664 | **-** | - |
| Tax recoverable | | **2,908** | 3,144 | **-** | - |
| Short-term investments | 19 | **16,009** | 6,377 | **-** | - |
| Deposits with licensed banks | 20 | **155,951** | 59,259 | **2,996** | 853 |
| Cash and bank balances | 21 | **66,901** | 90,307 | **13,475** | 780 |
| | | **688,354** | 516,437 | **136,324** | 100,511 |
| TOTAL ASSETS | | **879,947** | 699,321 | **265,528** | 229,693 |

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

# STATEMENTS OF FINANCIAL POSITION
At 31 December 2013

| | Note | The Group 2013 RM'000 | The Group 2012 RM'000 | The Company 2013 RM'000 | The Company 2012 RM'000 |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| EQUITY | | | | | |
| Share capital | 22 | **166,113** | 150,000 | **166,113** | 150,000 |
| Treasury shares | 23 | **(18,329)** | (2,835) | **(18,329)** | (2,835) |
| Share premium | 24 | **64,363** | 43,531 | **64,363** | 43,531 |
| Employee share option reserve | 25 | **973** | - | **973** | - |
| Foreign exchange translation reserve | 26 | **(11,043)** | (9,440) | **-** | - |
| Capital reserve | 27 | **8,600** | 8,600 | **-** | - |
| Retained profits | 28 | **177,804** | 164,108 | **1,670** | 1,584 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | **388,481** | 353,964 | **214,790** | 192,280 |
| Non-controlling interests | | **37,511** | 46,552 | **-** | - |
| TOTAL EQUITY | | **425,992** | 400,516 | **214,790** | 192,280 |
| NON-CURRENT LIABILITIES | | | | | |
| Deferred tax liabilities | 11 | **8,769** | 7,905 | **-** | - |
| Long-term borrowings | 29 | **3,400** | 4,325 | **-** | - |
| Trade payables | 32 | **2,112** | - | **-** | - |
| | | **14,281** | 12,230 | **-** | - |
| CURRENT LIABILITIES | | | | | |
| Trade payables | 32 | **292,552** | 194,363 | **-** | - |
| Other payables and accruals | 33 | **67,096** | 38,786 | **712** | 95 |
| Amount owing to subsidiaries | 17 | **-** | - | **34,500** | 34,500 |
| Dividend payable | | **12,595** | - | **12,595** | - |
| Provision for taxation | | **11,004** | 14,279 | **2,931** | 2,818 |
| Short-term borrowings | 34 | **44,500** | 37,968 | **-** | - |
| Bank overdrafts | 35 | **11,927** | 1,179 | **-** | - |
| | | **439,674** | 286,575 | **50,738** | 37,413 |
| TOTAL LIABILITIES | | **453,955** | 298,805 | **50,738** | 37,413 |
| TOTAL EQUITY AND LIABILITIES | | **879,947** | 699,321 | **265,528** | 229,693 |

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## for the financial year ended 31 December 2013

| | Note | The Group 2013 RM'000 | The Group 2012 RM'000 | The Company 2013 RM'000 | The Company 2012 RM'000 |
|---|---|---|---|---|---|
| REVENUE | 36 | **969,706** | 791,972 | **35,000** | 43,634 |
| COST OF SALES | | **(755,145)** | (583,776) | **-** | - |
| GROSS PROFIT | | **214,561** | 208,196 | **35,000** | 43,634 |
| OTHER INCOME | | **11,040** | 13,855 | **103** | 100 |
| ADMINISTRATIVE EXPENSES | | **(38,378)** | (30,896) | **(10,309)** | (2,120) |
| OTHER EXPENSES | | **(80,076)** | (82,579) | **-** | - |
| PROFIT FROM OPERATIONS | | **107,147** | 108,576 | **24,794** | 41,614 |
| FINANCE COSTS | | **(2,427)** | (2,033) | **-** | - |
| SHARE OF PROFIT IN ASSOCIATES | | **15** | 14 | **-** | - |
| PROFIT BEFORE TAXATION | 37 | **104,735** | 106,557 | **24,794** | 41,614 |
| INCOME TAX EXPENSE | 39 | **(31,706)** | (35,342) | **26** | (212) |
| PROFIT AFTER TAXATION | | **73,029** | 71,215 | **24,820** | 41,402 |
| OTHER COMPREHENSIVE EXPENSES: | | | | | |
| Items that will be reclassified subsequently to profit or loss: | | | | | |
| - Share of associate's other comprehensive income | | **-** | 148 | **-** | - |
| - Foreign currency translation | | **(2,042)** | (335) | **-** | - |
| | | **(2,042)** | (187) | **-** | - |
| TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR | | **70,987** | 71,028 | **24,820** | 41,402 |

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2013

| | Note | The Group 2013 RM'000 | The Group 2012 RM'000 | The Company 2013 RM'000 | The Company 2012 RM'000 |
|---|---|---|---|---|---|
| **PROFIT AFTER TAXATION ATTRIBUTABLE TO:** | | | | | |
| Owners of the Company | | **48,173** | 37,472 | **24,820** | 41,402 |
| Non-controlling interests | | **24,856** | 33,743 | **-** | - |
| | | **73,029** | 71,215 | **24,820** | 41,402 |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:** | | | | | |
| Owners of the Company | | **46,570** | 37,186 | **24,820** | 41,402 |
| Non-controlling interests | | **24,417** | 33,842 | **-** | - |
| | | **70,987** | 71,028 | **24,820** | 41,402 |
| **EARNINGS PER SHARE (SEN)** | 40 | | | | |
| Basic: | | **15.64** | 12.63 | | |
| 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 2013

| | <---------- *Non-Distributable* | | | ----------> | *Distributable* | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Share Capital RM'000** | **Treasury Shares RM'000** | **Share Premium RM'000** | **Foreign Translation 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** |
| **The Group** | | | | | | | | | |
| Balance at 1.1.2012 | 150,000 | (2,834) | 43,531 | (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 | (2,834) | 43,531 | (9,440) | 8,600 | 205,641 | 395,498 | 61,172 | 456,670 |

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

# STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2013

| | Note | Share Capital RM'000 | Treasury Shares RM'000 | Share Premium RM'000 | Foreign Translation 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 | (2,834) | 43,531 | (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 | (2,835) | 43,531 | (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 2013

| | <--------------- | ------------- | Non-Distributable | ------------- | -------------> | Distributable | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share Capital RM'000 | Treasury Shares RM'000 | Share Premium RM'000 | Foreign Translation Reserve RM'000 | Employee Share Option 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 |
| **The Group** | | | | | | | | | | |
| Balance at 1.1.2013 | **150,000** | **(2,835)** | **43,531** | **(9,440)** | **-** | **8,600** | **164,108** | **353,964** | **46,552** | **400,516** |
| Profit after taxation for the financial year | **-** | **-** | **-** | **-** | **-** | **-** | **48,173** | **48,173** | **24,856** | **73,029** |
| Other comprehensive income for the financial year: | | | | | | | | | | |
| - foreign currency translation | **-** | **-** | **-** | **(1,603)** | **-** | **-** | **-** | **(1,603)** | **(439)** | **(2,042)** |
| Total comprehensive income for the financial year | **-** | **-** | **-** | **(1,603)** | **-** | **-** | **48,173** | **46,570** | **24,417** | **70,987** |
| Balance carried forward | **150,000** | **(2,835)** | **43,531** | **(11,043)** | **-** | **8,600** | **212,281** | **400,534** | **70,969** | **471,503** |

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

# STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2013

| | Note | <------------Non-Distributable | | | | | ------------> | Distributable | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share Capital RM'000 | Treasury Shares RM'000 | Share Premium RM'000 | Foreign Translation Reserve RM'000 | Employee Share Option 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 |
| **The Group** | | | | | | | | | | | |
| Balance brought forward | | 150,000 | (2,835) | 43,531 | (11,043) | - | 8,600 | 212,281 | 400,534 | 70,969 | 471,503 |
| Contributions by and distribution to owners of the Company: | | | | | | | | | | | |
| Acquisition of a subsidiary | 42.1 | - | - | - | - | - | - | - | - | (20) | (20) |
| Recognition of share-based payments | 25 | - | - | - | - | 1,729 | - | - | 1,729 | - | 1,729 |
| Issuance of new shares | 22 | 16,113 | - | 20,176 | - | - | - | - | 36,289 | - | 36,289 |
| Share issuance costs | | - | - | (100) | - | - | - | - | (100) | - | (100) |
| Transfer to share premium upon exercise of share option | 25 | - | - | 756 | - | (756) | - | - | - | - | - |
| Issuance of shares by subsidiaries to non-controlling interests (NCI) | | - | - | - | - | - | - | - | - | 343 | 343 |
| Changes in ownership interests in subsidiaries that do not result in loss of control | 42.2 | - | - | - | - | - | - | (9,743) | (9,743) | 9,743 | - |
| Treasury shares acquired | 23 | - | (15,494) | - | - | - | - | - | (15,494) | - | (15,494) |
| Dividends: | | | | | | | | | | | |
| - by the Company | 41 | - | - | - | - | - | - | (24,734) | (24,734) | - | (24,734) |
| - by subsidiaries to NCI | | - | - | - | - | - | - | - | - | (43,524) | (43,524) |
| | | 16,113 | (15,494) | 20,832 | - | 973 | - | (34,477) | (12,053) | (33,458) | (45,511) |
| | | 166,113 | (18,329) | 64,363 | (11,043) | 973 | 8,600 | 177,804 | 388,481 | 37,511 | 425,992 |

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

# STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2013

| | Note | <------ Share Capital RM'000 | Non-Distributable Treasury Shares RM'000 | Share Premium RM'000 | Employee Share Option Reserve RM'000 ------> | Distributable Retained Profits RM'000 | Total Equity RM'000 |
|---|---|---|---|---|---|---|---|
| **The Company** | | | | | | | |
| Balance at 1.1.2012 | | 150,000 | (2,834) | 43,531 | - | 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) |
| | | - | (1) | - | - | (41,533) | (41,534) |
| Balance at 31.12.2012 | | 150,000 | (2,835) | 43,531 | - | 1,584 | 192,280 |

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

# STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2013

| | Note | Share Capital RM'000 | Treasury Shares RM'000 | Share Premium RM'000 | Employee Share Option Reserve RM'000 | Retained Profits RM'000 | Total Equity RM'000 |
|---|---|---|---|---|---|---|---|
| | | <---------Non-Distributable | | | ---------> | Distributable | |
| **The Company** | | | | | | | |
| Balance at 1.1.2013 | | 150,000 | (2,835) | 43,531 | - | 1,584 | 192,280 |
| Profit after taxation/Total comprehensive income for the financial year | | - | - | - | - | 24,820 | 24,820 |
| Contributions by and distribution to owners of the Company: | | | | | | | |
| Recognition of share-based payments | 25 | - | - | - | 1,729 | - | 1,729 |
| Issuance of new shares | 22 | 16,113 | - | 20,176 | - | - | 36,289 |
| Transfer to share premium upon exercised of share options | 25 | - | - | 756 | (756) | - | - |
| Share issuance costs | | - | - | (100) | - | - | (100) |
| Treasury shares acquired | 23 | - | (15,494) | - | - | - | (15,494) |
| Dividends | 41 | - | - | - | - | (24,734) | (24,734) |
| | | 16,113 | (15,494) | 20,832 | 973 | (24,734) | (2,310) |
| Balance at 31.12.2013 | | 166,113 | (18,329) | 64,363 | 973 | 1,670 | 214,790 |

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

# STATEMENTS OF CASH FLOWS
## for the financial year ended 31 December 2013

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES | | | | |
| Profit before taxation | **104,735** | 106,557 | **24,794** | 41,614 |
| Adjustments for: | | | | |
| Amortisation of development costs | **330** | 440 | **-** | - |
| Bad debts written off | **25** | 66 | **-** | - |
| Deposits written off | **-** | 41 | **-** | - |
| Depreciation of property, plant and equipment | **14,322** | 25,855 | **1** | 1 |
| Expenses recognised in respect of share-based payments | **1,729** | - | **1,729** | - |
| Impairment losses on: | | | | |
| - amount owing by associates | **-** | 336 | **-** | - |
| - investment in associates | **1** | 2,678 | **-** | - |
| - long-term investments | **-** | 135 | **-** | - |
| - trade and other receivables | **4,894** | 11,504 | **-** | - |
| Interest expense | **2,426** | 2,247 | **-** | - |
| Inventories written down | **-** | 1,090 | **-** | - |
| Inventories written off | **56** | 755 | **-** | - |
| Loss/(Gain) on disposal of property, plant and equipment | **564** | (275) | **-** | - |
| Property, plant and equipment written off | **112** | 3,541 | **-** | - |
| Bad debts recovered | **(1,887)** | - | **-** | - |
| Gross dividends from subsidiaries | **-** | - | **(32,600)** | (41,534) |
| Interest income | **(1,746)** | (3,201) | **(103)** | (99) |
| Writeback of impairment losses on: | | | | |
| - long-term investments | **(30)** | - | **-** | - |
| - trade and other receivables | **(2,251)** | (6,438) | **-** | - |
| Share of profit in associates | **(15)** | (14) | **-** | - |
| Tax-exempt dividends received from investment in unit trusts | **(540)** | (875) | **-** | - |
| Unrealised gain on foreign exchange | **(1,791)** | (129) | **-** | - |
| Waiver of debts | **-** | (682) | **-** | - |
| Operating profit/(loss) before working capital changes | **120,934** | 143,631 | **(6,179)** | (18) |
| (Increase)/Decrease in inventories | **(139)** | 143 | **-** | - |
| Increase in property development costs | **(8,482)** | (8,279) | **-** | - |
| Decrease in amount owing by contract customers | **3,277** | 1,080 | **-** | - |
| Increase in trade and other receivables | **(81,402)** | (110,728) | **(76)** | (49,998) |
| Increase in trade and other payables | **125,482** | 26,737 | **617** | 29 |
| Increase in amount owing by associates | **(3,483)** | - | **-** | - |
| CASH FROM/(FOR) OPERATIONS | **156,187** | 52,584 | **(5,638)** | (49,987) |
| Interest paid | **(2,426)** | (2,247) | **-** | - |
| Tax (paid)/refunded | **(33,925)** | (29,511) | **139** | (133) |
| NET CASH FROM/(FOR) OPERATING ACTIVITIES CARRIED FORWARD | **119,836** | 20,826 | **(5,499)** | (50,120) |

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

# STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2013

| | Note | The Group 2013 RM'000 | The Group 2012 RM'000 | The Company 2013 RM'000 | The Company 2012 RM'000 |
|---|---|---|---|---|---|
| NET CASH FROM/(FOR) OPERATING ACTIVITIES BROUGHT FORWARD | | **119,836** | 20,826 | **(5,499)** | (50,120) |
| CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES | | | | | |
| Repayment from/(Advances to) associates | | **2,664** | (2,664) | **-** | - |
| Interest received | | **1,746** | 3,201 | **103** | 99 |
| Net dividends received from subsidiaries | | **-** | - | **32,600** | 41,534 |
| Net cash inflow on acquisition of a subsidiary | 42 | **213** | - | **-** | - |
| (Placement)/Withdrawal of deposits pledged with licensed banks | | **(110)** | 1,986 | **-** | - |
| Proceeds from disposal of property, plant and equipment | | **7,830** | 598 | **-** | - |
| Proceeds from disposal of unquoted shares | | **-** | 24,524 | **-** | - |
| Purchase of property, plant and equipment | 43 | **(17,508)** | (22,000) | **(23)** | (3) |
| Purchase of investment property | | **(12,666)** | (1,433) | **-** | - |
| Purchase of short-term investments | | **(9,632)** | - | **-** | - |
| Purchase of treasury shares | 23 | **(15,494)** | (1) | **(15,494)** | (1) |
| (Advances to)/Repayment from subsidiaries | | **-** | - | **(20,899)** | 16,681 |
| Tax-exempt dividends received from investment in unit trusts | | **540** | 875 | **-** | - |
| NET CASH (FOR)/FROM INVESTING ACTIVITIES | | **(42,417)** | 5,086 | **(3,713)** | 58,310 |
| BALANCE CARRIED FORWARD | | **77,419** | 25,912 | **(9,212)** | 8,190 |

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

# STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2013

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Note | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| BALANCE BROUGHT FORWARD | | **77,419** | 25,912 | **(9,212)** | 8,190 |
| CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES | | | | | |
| Advances from subsidiaries | | **-** | - | **-** | 34,500 |
| Dividends paid | | **(12,139)** | (53,400) | **(12,139)** | (53,400) |
| Dividends paid to non-controlling interests | | **(43,524)** | (14,620) | **-** | - |
| Proceeds from issuance of new shares | | **36,189** | - | **36,189** | - |
| Proceeds from issuance of new shares to non-controlling interests | | **343** | - | **-** | - |
| Repayment of hire purchase obligations | | **(2,548)** | (1,537) | **-** | - |
| Repayment of term loans | | **(59)** | - | **-** | - |
| Net drawdown of short-term borrowings | | **6,716** | 6,715 | **-** | - |
| NET CASH (FOR)/FROM FINANCING ACTIVITIES | | **(15,022)** | (62,842) | **24,050** | (18,900) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | **62,397** | (36,930) | **14,838** | (10,710) |
| FOREIGN EXCHANGE TRANSLATION DIFFERENCES | | **31** | 212 | **-** | - |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | | **144,982** | 181,700 | **1,633** | 12,343 |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR | 44 | **207,410** | 144,982 | **16,471** | 1,633 |

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

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 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 28 April 2014.

## 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 (FRSs) 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, if any):

**FRSs and IC Interpretations (Including The Consequential Amendments)**
FRS 10 Consolidated Financial Statements
FRS 11 Joint Arrangements
FRS 12 Disclosure of Interests in Other Entities
FRS 13 Fair Value Measurement
FRS 119 (2011) Employee Benefits
FRS 127 (2011) Separate Financial Statements
FRS 128 (2011) Investments in Associates and Joint Ventures
Amendments to FRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 10, FRS 11 and FRS 12: Transition Guidance
Amendments to FRS 101: Presentation of Items of Other Comprehensive Income
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements to FRSs (2012)

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 3. BASIS OF PREPARATION (CONT'D)

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

(i) 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 requires extensive disclosures of which the additional disclosures are disclosed in Note 5 and Note 6 to the financial statements.

(ii) 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.

FRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under FRS 13 is an exist price regardless of whether that price is directly observable or estimated using another valuation technique. FRS 13 includes extensive disclosure requirement.

FRS 13 has been applied prospectively as of the beginning of the current financial year. There is no material financial impact on the financial statements of the Group upon its initial application other than the additional disclosures as disclosed in Note 52.4 to the financial statements.

(iii) 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 is 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.

3.2 The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) 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 (2009) Financial Instruments | ) | |
| FRS 9 (2010) Financial Instruments | ) | To be |
| FRS 9 Financial Instruments (Hedge Accounting and Amendments to FRS 7, FRS 9 and FRS 139) | ) | announced |
| Amendments to FRS 9 and FRS 7: Mandatory Effective Date of FRS 9 and Transition Disclosures | ) | by MASB |
| Amendments to FRS 10, FRS 12 and FRS 127 (2011): Investment Entities | | 1 January 2014 |
| Amendments to FRS 119: Defined Benefit Plans – Employee Contributions | | 1 July 2014 |
| Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities | | 1 January 2014 |
| Amendments to FRS 136: Recoverable Amount Disclosures for Non-financial Assets | | 1 January 2014 |
| Amendments to FRS 139: Novation of Derivatives and Continuation of Hedge Accounting | | 1 January 2014 |
| IC Interpretation 21 Levies | | 1 January 2014 |
| Annual Improvements to FRSs 2010 – 2012 Cycle | | 1 July 2014 |
| Annual Improvements to FRSs 2011 – 2013 Cycle | | 1 July 2014 |

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 3. BASIS OF PREPARATION (CONT'D)

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

(i) FRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Subsequently, this FRS 9 was amended in year 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition (known as FRS 9 (2010)). Generally, 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 amendments are expected to have no material impact on the financial statements of the Group upon its initial application.

(ii) The amendments to FRS 132 provide the application guidance for criteria to offset financial assets and financial liabilities. The amendments are expected to have no material impact on the financial statements of the Group upon its initial application.

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 (IFRSs).

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'). The Group falls within the definition of Transitioning Entities and has elected to present its first MFRSs financial statements when the MFRS framework become mandatory. Currently, the MASB has not announced as to when the Transitioning Entities are mandated to comply with the MFRS framework. This is because of the revision in the project timeline on the issuance of new IFRS on Revenue and the proposed limited amendments to IAS 41 (Agriculture) by the International Accounting Standards Board. According, the Group is unable to assess the potential financial effects of the differences between the accounting standards under FRSs and the MFRSs.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

#### (a) Depreciation of Property, Plant and Equipment (Cont'd)

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) 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.

#### (d) 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

#### (e) Classification between Investment Properties and Owner-occupied Properties

The Group determines whether a property qualifies as an investment property, and has developed a criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

#### (f) 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.

#### (g) 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.

#### (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) 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

#### (j) 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.

#### (k) 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 judgement 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.

#### (l) 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.

#### (m) Share-based Payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.

### 4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.2 BASIS OF CONSOLIDATION (CONT'D)

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company 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 of the Group.

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which 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 in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). 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 139 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly venture.

<u>Business combinations from 1 January 2011 onwards</u>

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 (CONT'D)

### 4.2 BASIS OF CONSOLIDATION (CONT'D)

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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.

#### (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. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.5 FINANCIAL INSTRUMENTS (CONT'D)

#### (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 interest income recognised in profit or loss 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.

(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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.5 FINANCIAL INSTRUMENTS (CONT'D)

#### (b) Financial Liabilities

All financial liabilities are initially measured 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 ordinary 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.

#### (d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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. The cost of the investments includes transaction costs.

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.

### 4.7 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 the end of the reporting period. The Group's share of the post-acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. 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. The cost of investment includes transaction costs.

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.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with FRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method if the dilution does not result in a loss of significant influence or when an investment in a joint venture becomes an investment in an associate. Under such changes in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognised in other comprehensive income of the associate will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in associates are recognised in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.8 PROPERTY, PLANT AND EQUIPMENT

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

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on 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% |

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the construction or acquisition of the assets to the date that the assets are completed and put into use.

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.

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.10 INVESTMENT PROPERTIES

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Investment properties under construction are properties not ready for commercial use at the end of the reporting period. Investment properties under construction are stated at cost less any impairment losses, and are not depreciated.

Depreciation is charged to profit or loss on the straight-line method over the estimated useful lives of the investment properties.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

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

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

### 4.11 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 to date bear to the estimated total property development costs.

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

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

### 4.12 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.

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.12 IMPAIRMENT (CONT'D)

#### (a) Impairment of Financial Assets (Cont'd)

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 financial asset 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, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 4.13 ASSETS UNDER HIRE PURCHASE

Assets acquired under hire purchase are capitalised in the financial statements at the lower of the fair value of the leased assets and the present value of the minimum lease payments 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.14 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.

### 4.15 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.

### 4.16 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.

### 4.17 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.

### 4.18 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 reporting period 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.

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.18 INCOME TAXES (CONT'D)

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.

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.

### 4.19 BORROWING COSTS

Borrowing costs, directly attributable to the acquisition, construction or production of a qualifying asset, 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.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### 4.20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, 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 with original maturity periods of three months or less.

### 4.21 EMPLOYEE BENEFITS

#### (a) Short-term Benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss and included in the development costs, where appropriate, 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 and included in the development costs, where appropriate, 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.21 EMPLOYEE BENEFITS (CONT'D)

#### (c) Share-based Payment Transactions

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (share options).

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employee share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

In the Company's separate financial statements, the grant of the share options to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the employee share option reserve.

Upon expiry of the share option, the employee share option reserve is transferred to retained profits.

When the share options are exercised, the employee share option reserve is transferred to share capital or share premium if new ordinary shares are issued, or to treasury shares if the share options are satisfied by the reissuance of treasury shares.

When the Company charges a subsidiary for the share options granted to its employees, the recharge is offset against the investments in subsidiaries in the Company's separate financial statements, with any excess being charged to profit or loss as a distribution from the subsidiary.

### 4.22 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.

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.22 RELATED PARTIES (CONT'D)

(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.

### 4.23 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.

### 4.24 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.

### 4.25 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. However, this basis does not apply to share-based payment transactions.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.25 FAIR VALUE MEASUREMENTS (CONT'D)

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

### 4.26 REVENUE AND OTHER INCOME

#### (a) Sale of Goods

Revenue is measured at fair value of the consideration received or receivable and 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, net of discounts, 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.26 REVENUE AND OTHER INCOME (CONT'D)

#### (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 | |
|---|---|---|
| | 2013 RM'000 | 2012 RM'000 |
| Unquoted shares, at cost | **129,179** | 129,179 |

During the financial year, the Group acquired a new subsidiary and increased its effective equity interests in two existing subsidiaries through the acquisition of equity from non-controlling interests. The details and effects of these acquisitions are disclosed in Note 42 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 5. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

| Name of Subsidiary | Country of Incorporation | Effective Equity Interest 2013 % | 2012 % | 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. |

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 5. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

| Name of Subsidiary | Country of Incorporation | Effective Equity Interest 2013 % | 2012 % | 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 | **78** | 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 | **78** | 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 | Road maintenance and rehabilitation. |

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 5. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

| Name of Subsidiary | Country of Incorporation | Effective Equity Interest 2013 % | 2012 % | Principal Activities |
|---|---|---|---|---|
| Global Traders Ltd.* | FT Labuan | **100** | 100 | Dormant. |

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

| Name of Subsidiary | Country of Incorporation | Effective Equity Interest 2013 % | 2012 % | 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. |

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 5. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

| Name of Subsidiary | Country of Incorporation | Effective Equity Interest 2013 % | 2012 % | 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 Subsidiary | Country of Incorporation | Effective Equity Interest 2013 % | 2012 % | Principal Activities |
|---|---|---|---|---|
| QP Industries Sdn. Bhd.* | Malaysia | **100** | 100 | Production of pavement materials. |
| Linktel Communication Sdn. Bhd.* | Malaysia | **100** | 100 | Distributor of mobile phone/ digital products. |
| Ximax Communications Sdn. Bhd.* | Malaysia | **100** | 100 | Investment holding. |

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

| Name of Subsidiary | Country of Incorporation | Effective Equity Interest 2013 % | 2012 % | 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 Subsidiary | Country of Incorporation | Effective Equity Interest 2013 % | 2012 % | Principal Activities |
|---|---|---|---|---|
| Ximax Communications (Shenzhen) Co. Ltd.* | China | **100** | 100 | Dormant. |

## 5. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

| Name of Subsidiary | Country of Incorporation | Effective Equity Interest 2013 % | 2012 % | Principal Activities |
|---|---|---|---|---|
| Protasco Land Sdn. Bhd. | Malaysia | **100** | 100 | Property development. |
| De Centrum Development Sdn. Bhd. | Malaysia | **100** | 100 | Property development. |
| Sun Rock Development Sdn. Bhd. * | Malaysia | **64** | - | Property development |

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

| Name of Subsidiary | Country of Incorporation | Effective Equity Interest 2013 % | 2012 % | Principal Activities |
|---|---|---|---|---|
| Protasco Land SA (Pty) Ltd.* | South Africa | **100** | 70 | Property development. |

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

| Name of Subsidiary | Country of Incorporation | Effective Equity Interest 2013 % | 2012 % | 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 Subsidiary | Country of Incorporation | Effective Equity Interest 2013 % | 2012 % | Principal Activities |
|---|---|---|---|---|
| Hainan Rifu Resources Co. Ltd. * | China | **82** | 82 | Dormant. |

* Audited by firms of auditors other than Messrs. Crowe Horwath.

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 5. INVESTMENT IN SUBSIDIARIES (CONT'D)

The details of non-wholly-owned subsidiaries that have material non-controlling interests (NCI) at the end of the reporting period comprise the following:

| | The Group | | | |
|---|---|---|---|---|
| | Profit/(Loss) Allocated To NCI | | Accumulated NCI | |
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Roadcare (M) Sdn. Bhd. (Roadcare) | **23,828** | 35,329 | **41,412** | 56,784 |
| Permint Granite-HCM Sdn. Bhd. (PG-HCM) | **2,356** | 2,447 | **4,392** | 4,736 |
| KPS-HCM Sdn. Bhd. (KPS-HCM) | **1,599** | 2,202 | **3,273** | 2,874 |
| HCM-Molek JV Sdn. Bhd. (HCM-Molek) | **(3,826)** | (621) | **(3,605)** | 221 |
| HCM Arabia Sdn. Bhd. (HCMA) | **(357)** | (3,846) | **(12,598)** | (21,172) |
| Kumpulan Ikram (Sabah) Sdn. Bhd. (KI-Sabah) | **241** | 323 | **2,314** | 2,073 |
| Kumpulan Ikram (Sarawak) Sdn. Bhd. (KI-Sarawak) | **128** | 109 | **1,970** | 2,082 |
| Other individually immaterial subsidiaries | **887** | (2,200) | **353** | (1,046) |
| | **24,856** | 33,743 | **37,511** | 46,552 |

## 5. INVESTMENT IN SUBSIDIARIES (CONT'D)

The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:

| | Roadcare RM'000 | PG-HCM RM'000 | KPS-HCM RM'000 | HCM-Molek RM'000 | HCMA RM'000 | KI-Sabah RM'000 | KI-Sarawak RM'000 |
|---|---|---|---|---|---|---|---|
| At 31 December 2013 | | | | | | | |
| Non-current assets | 8,346 | 2,456 | 1,743 | 295 | - | 1,761 | 847 |
| Current assets | 270,645 | 17,681 | 18,676 | 11,061 | 1,516 | 6,108 | 5,005 |
| Non-current liabilities | (969) | (509) | (406) | - | - | (177) | (803) |
| Current liabilities | (193,507) | (4,988) | (9,103) | (22,480) | (58,781) | (1,906) | (125) |
| Net assets/(liabilities) | 84,515 | 14,640 | 10,910 | (11,124) | (57,265) | 5,786 | 4,924 |
| Financial year ended 31 December 2013 | | | | | | | |
| Revenue | 431,783 | 47,795 | 34,501 | 18,458 | - | 5,393 | 4,275 |
| Profit/(Loss) for the financial year | 48,629 | 7,853 | 5,331 | (9,564) | (1,004) | 603 | 320 |
| Total comprehensive income | 48,629 | 7,853 | 5,331 | (9,564) | (3,002) | 603 | 320 |
| Dividends paid to non-controlling interests | 39,200 | 2,700 | 1,200 | - | - | - | 240 |
| Net cash flows from operating activities | 149,171 | 3,765 | 5,347 | 1,287 | (5,141) | (55) | (795) |
| Net cash flows from investing activities | (350) | (170) | (243) | 270 | 1 | (32) | (12) |
| Net cash flows from financing activities | (80,000) | (9,187) | (4,128) | - | - | (27) | (707) |
| Net increase/(decrease) in cash and cash equivalents | 68,821 | (5,592) | 976 | 1,557 | (5,140) | (114) | (1,514) |

## 5. INVESTMENT IN SUBSIDIARIES (CONT'D)

The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:

| | Roadcare RM'000 | PG-HCM RM'000 | KPS-HCM RM'000 | HCM-Molek RM'000 | HCMA RM'000 | KI-Sabah RM'000 | KI-Sarawak RM'000 |
|---|---|---|---|---|---|---|---|
| At 31 December 2012 | | | | | | | |
| Non-current assets | 8,115 | 2,962 | 2,055 | 531 | - | 2,089 | 981 |
| Current assets | 187,308 | 20,561 | 13,009 | 20,086 | 8,654 | 4,876 | 5,897 |
| Non-current liabilities | (787) | (687) | (631) | - | - | (227) | (260) |
| Current liabilities | (78,750) | (7,049) | (4,854) | (22,177) | (62,917) | (1,555) | (1,414) |
| Net assets/(liabilities) | 115,886 | 15,787 | 9,579 | (1,560) | (54,263) | 5,183 | 5,204 |
| Financial year ended 31 December 2012 | | | | | | | |
| Revenue | 376,262 | 44,459 | 38,432 | 39,351 | - | 6,383 | 5,084 |
| Profit/(Loss) for the financial year | 72,099 | 8,156 | 7,341 | (1,554) | (9,616) | 808 | 273 |
| Total comprehensive income | 72,099 | 8,156 | 7,341 | (1,554) | (9,775) | 808 | 273 |
| Dividends paid to non-controlling interests | 9,800 | 900 | 3,600 | - | - | - | - |
| Net cash flows from operating activities | 36,599 | 15,163 | 6,880 | (10,085) | (8,418) | (320) | 786 |
| Net cash flows from investing activities | (3,992) | (214) | (38) | 2,933 | (54) | (173) | (15) |
| Net cash flows from financing activities | (20,000) | (3,074) | (12,206) | - | - | (131) | (929) |
| Net increase/(decrease) in cash and cash equivalents | 12,607 | 11,875 | (5,364) | (7,152) | (8,472) | (624) | (158) |

## 6. INVESTMENT IN ASSOCIATES

| | The Group 2013 RM'000 | The Group 2012 RM'000 |
|---|---|---|
| Unquoted shares, at cost | | |
| At 1 January | **1,527** | 1,527 |
| Write-off during the financial year | **(1,292)** | - |
| At 31 December | **235** | 1,527 |
| Share of post acquisition results | **(12)** | 1,650 |
| Foreign exchange translation reserve | **41** | (400) |
| | **264** | 2,777 |
| Redeemable preference shares | **1,400** | 1,400 |
| | **1,664** | 4,177 |
| Accumulated impairment losses | **(1,554)** | (4,081) |
| At 31 December | **110** | 96 |
| Accumulated impairment losses: | | |
| At 1 January | **(4,081)** | (1,540) |
| Addition during the financial year | **(1)** | (2,678) |
| Write-off during the financial year | **2,528** | 137 |
| At 31 December | **(1,554)** | (4,081) |

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

| Name of Company | Country of Incorporation | Effective Equity Interest 2013 % | Effective Equity Interest 2012 % | Principal Activities |
|---|---|---|---|---|
| THT-HCM JV Sdn. Bhd. * | Malaysia | **40** | 40 | Dormant. |

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 6. INVESTMENT IN ASSOCIATES (CONT'D)

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

| Name of Company | Country of Incorporation | Effective Equity Interest 2013 % | 2012 % | 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 2013 % | 2012 % | 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.

The summarised unaudited financial information for all associates that are individually immaterial to the Group is as follows:

| | Individually Immaterial Associates 2013 RM'000 | 2012 RM'000 |
|---|---|---|
| Financial year ended 31 December | | |
| Group's share of profit for the financial year | **15** | 14 |
| Group's share of other comprehensive income | **-** | - |
| Group's share of total comprehensive income | **15** | 14 |
| Aggregate carrying amount of the Group's interests in these associates | **110** | 96 |

## 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 1.1.2013 | 70,288 | 4,804 | 57,672 | 18,170 | 49,217 | 135,761 | 43,540 | 100 | 379,552 |
| Additions | - | - | 283 | 2,025 | 3,540 | 10,181 | 2,977 | - | 19,006 |
| Disposals | (3,769) | - | - | (250) | (905) | (12,537) | (4,161) | - | (21,622) |
| Written off | - | - | - | (738) | (147) | (1,122) | (257) | - | (2,264) |
| Reclassification | - | - | - | 62 | 38 | - | - | (100) | - |
| Exchange rate differences | - | - | - | 32 | 24 | 2,444 | 113 | - | 2,613 |
| At 31.12.2013 | 66,519 | 4,804 | 57,955 | 19,301 | 51,767 | 134,727 | 42,212 | - | 377,285 |
| **Accumulated Depreciation** | | | | | | | | | |
| At 1.1.2013 | - | 715 | 9,580 | 12,502 | 39,996 | 113,182 | 24,758 | - | 200,733 |
| Charge for the financial year | - | 92 | 1,159 | 1,507 | 2,864 | 5,249 | 3,451 | - | 14,322 |
| Disposals | - | - | - | (196) | (837) | (9,139) | (3,056) | - | (13,228) |
| Written off | - | - | - | (637) | (135) | (1,122) | (258) | - | (2,152) |
| Exchange rate differences | - | - | - | 32 | 24 | 2,444 | 113 | - | 2,613 |
| At 31.12.2013 | - | 807 | 10,739 | 13,208 | 41,912 | 110,614 | 25,008 | - | 202,288 |
| **Net Book Value** | 66,519 | 3,997 | 47,216 | 6,093 | 9,855 | 24,113 | 17,204 | - | 174,997 |

## 7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| 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 (CONT'D)

| The Company | Reference Books, Office Equipment, Furniture And Fittings 2013 RM'000 | 2012 RM'000 |
|---|---|---|
| At Cost: | | |
| At 1.1.2013 | **4** | - |
| Additions | **23** | 4 |
| At 31.12.2013 | **27** | 4 |
| Accumulated depreciation | | |
| At 1.1.2013 | **(1)** | - |
| Charge for the financial year | **(1)** | (1) |
| At 31.12.2013 | **(2)** | (1) |
| Net book value | **25** | 3 |

Certain property, plant and equipment of the Group with a total net book value of RM5,821,093 (2012 - RM6,249,986) are held under hire purchase arrangements.

Certain property, plant and equipment of the Group with a total net book value of RM98,859,104 (2012 - RM103,563,091) were pledged to financial institutions as security for credit facilities granted to the Group as disclosed in Note 31 and Note 34 to the financial statements.

## 8. INVESTMENT PROPERTY

| | The Group 2013 RM'000 | 2012 RM'000 |
|---|---|---|
| At 1 January | **1,433** | - |
| Addition during the financial year | **12,666** | 1,433 |
| At 31 December | **14,099** | 1,433 |

Investment property comprise the following:

| | | |
|---|---|---|
| At Cost: | | |
| Investment property under construction | **14,099** | 1,433 |

## 8. INVESTMENT PROPERTY (CONT'D)

The investment property represents a commercial building currently under construction and the fair value of the property cannot be determined as there are uncertainties in estimating its fair value. The building has only commenced construction in the previous financial year. The estimated fair value upon completion is expected to be within the range of RM45 million and RM50 million.

This includes the development costs incurred on the investment property under construction during the financial year are as follows:

| | The Group | |
|---|---|---|
| | 2013 RM'000 | 2012 RM'000 |
| Depreciation of property, plant and equipment | **139** | 42 |
| Staff costs | **23** | 26 |

## 9. LAND HELD FOR PROPERTY DEVELOPMENT

| | The Group | |
|---|---|---|
| | 2013 RM'000 | 2012 RM'000 |
| At Cost: | | |
| Development expenditure | | |
| At 1 January | **2,341** | 2,587 |
| Exchange rate differences | **(259)** | (246) |
| At 31 December | **2,082** | 2,341 |

## 10. LONG-TERM INVESTMENTS

| | The Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| At Cost: | | |
| Unquoted shares | **30** | 30 |
| Club membership | **195** | 300 |
| | **225** | 330 |
| Impairment loss | **-** | (135) |
| | **225** | 195 |
| Represented by: | | |
| At cost | **30** | 30 |
| At fair value | **195** | 165 |
| | **225** | 195 |
| Accumulated impairment loss: | | |
| At 1 January | **(135)** | - |
| Addition during the financial year | **-** | (135) |
| Writeback during the financial year | **30** | - |
| Write-off during the financial year | **105** | - |
| At 31 December | **-** | (135) |

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.

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 11. DEFERRED TAX ASSETS/(LIABILITIES)

| | The Group 2013 RM'000 | The Group 2012 RM'000 |
|---|---|---|
| At 1 January | **(7,905)** | (8,537) |
| Recognised in profit or loss (Note 39) | **(820)** | 632 |
| At 31 December | **(8,725)** | (7,905) |
| Presented as follows: | | |
| Deferred tax assets | **44** | - |
| Deferred tax liabilities | **(8,769)** | (7,905) |
| | **(8,725)** | (7,905) |
| The deferred tax asset/(liabilities) recognised at the end of the reporting period after appropriate offsetting are as follows: | | |
| Deferred tax assets: | | |
| Unutilised tax losses and unabsorbed capital allowances | **10** | 5 |
| Unabsorbed capital allowances | **779** | 803 |
| Allowance for impairment loss | **125** | 236 |
| Others | **17** | 24 |
| | **931** | 1,068 |
| Deferred tax liabilities: | | |
| Accelerated capital allowances | **(8,385)** | (7,668) |
| Others | **(1,271)** | (1,305) |
| | **(9,656)** | (8,973) |
| At 31 December | **(8,725)** | (7,905) |

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

| | The Group 2013 RM'000 | The Group 2012 RM'000 |
|---|---|---|
| Excess of depreciation over capital allowances | **-** | 180 |
| Unutilised tax losses | **30,706** | 21,700 |
| Unabsorbed capital allowances | **2,637** | 1,140 |
| | **33,343** | 23,020 |

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 12. INVENTORIES

| | The Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| At Cost: | | |
| Handphones, stores and spares | **937** | 531 |
| Condominium unit for sale | **351** | 351 |
| | **1,288** | 882 |
| At Net Realisable Value: | | |
| Handphones, stores and spares | **-** | 323 |
| | **1,288** | 1,205 |

## 13. PROPERTY DEVELOPMENT COSTS

| | The Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| At 1 January: | | |
| Freehold land | **6,216** | 6,216 |
| Development costs | **58,775** | 57,827 |
| | **64,991** | 64,043 |
| Incurred during the financial year: | | |
| Freehold land | **5,756** | - |
| Development costs | **24,937** | 948 |
| | **30,693** | 948 |
| Reversal of development costs of completed projects during the financial year: | | |
| Freehold land | **(6,216)** | - |
| Development costs | **(48,922)** | - |
| | **(55,138)** | - |
| Accumulated costs charged to profit or loss: | | |
| At 1 January | **(57,090)** | (62,745) |
| Charge during the financial year | **(22,211)** | 5,655 |
| Reversal of completed projects during the financial year | **55,138** | - |
| | **(24,163)** | (57,090) |
| Balance carried forward | **16,383** | 7,901 |

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 13. PROPERTY DEVELOPMENT COSTS (CONT'D)

| | The Group | |
|---|---|---|
| | 2013 RM'000 | 2012 RM'000 |
| Balance brought forward | **16,383** | 7,901 |
| Cumulative revenue recognised in profit or loss | **35,162** | 71,845 |
| Cumulative billings to purchasers | **(36,803)** | (78,015) |
| Net progress billings | **(1,641)** | (6,170) |
| At 31 December | **14,742** | 1,731 |
| Represented by: | | |
| Freehold land | **5,756** | 6,216 |
| Development costs | **34,790** | 58,775 |
| Accumulated costs charged to profit or loss | **(24,163)** | (57,090) |
| | **16,383** | 7,901 |
| Accrued billings | **-** | 2,235 |
| Progress billing (Note 32) | **(1,641)** | (8,405) |
| | **(1,641)** | (6,170) |
| | **14,742** | 1,731 |

Included in property development costs incurred during the financial year are as follows:

| | The Group | |
|---|---|---|
| | 2013 RM'000 | 2012 RM'000 |
| Depreciation of property, plant and equipment | **462** | 140 |
| Staff costs | **76** | 88 |

The freehold land included in the property development costs of the Group are pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 34 to the financial statements.

## 14. AMOUNT OWING BY CONTRACT CUSTOMERS

| | The Group | |
|---|---|---|
| | 2013 RM'000 | 2012 RM'000 |
| Contract costs incurred to date | **29,118** | 420,678 |
| Attributable profits | **2,436** | 9,288 |
| | **31,554** | 429,966 |
| Progress billings | **(30,445)** | (425,580) |
| Amount owing by contract customers | **1,109** | 4,386 |
| Contract costs recognised as an expense | **28,009** | 42,298 |

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

| | The Group | |
|---|---|---|
| | 2013 RM'000 | 2012 RM'000 |
| Depreciation of property, plant and equipment | **171** | 218 |
| Hire of plant and machinery | **32** | 3,165 |
| Rental expense | **40** | 108 |
| Staff costs | **1,067** | 3,962 |

## 15. TRADE RECEIVABLES

| | The Group | |
|---|---|---|
| | 2013 RM'000 | 2012 RM'000 |
| Trade receivables | **289,777** | 244,013 |
| Retention sums | **40,867** | 25,049 |
| Accrued billings | **3,105** | 10,969 |
| | **333,749** | 280,031 |
| Allowance for impairment losses | **(25,262)** | (24,696) |
| | **308,487** | 255,335 |
| Allowance for impairment losses: | | |
| At 1 January | **(24,696)** | (29,011) |
| Addition during the financial year | **(4,070)** | (10,765) |
| Writeback during the financial year | **2,249** | 6,427 |
| Write-off during the financial year | **1,255** | 8,653 |
| At 31 December | **(25,262)** | (24,696) |

## 15. TRADE RECEIVABLES (CONT'D)

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

The retention sums are unsecured, interest-free and due to be received within 6 to 12 months (2012 - 6 to 12 months).

## 16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Other receivables | **42,353** | 33,617 | **81** | 5 |
| Allowance for impairment losses | **(1,655)** | (1,687) | **-** | - |
| | **40,698** | 31,930 | **81** | 5 |
| Deposits | **73,116** | 52,791 | **50,000** | 50,000 |
| Prepayments | **2,021** | 1,138 | **-** | - |
| | **115,835** | 85,859 | **50,081** | 50,005 |
| Allowance for impairment losses: | | | | |
| At 1 January | **(1,687)** | (1,039) | **-** | - |
| Addition during the financial year | **(824)** | (739) | **-** | - |
| Writeback for the financial year | **2** | 11 | **-** | - |
| Write-off during the financial year | **854** | 80 | **-** | - |
| At 31 December | **(1,655)** | (1,687) | **-** | - |

Included in the deposits of the Group and of the Company is an amount of RM50,000,000 (2012 - 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 48(c) to the financial statements.

Included in the prepayment of the Group in the previous financial year was an amount of RM330,000, represented the balance of the RM2,200,000 paid in advance to a consultant for services rendered to the Group and was amortised over the period of the service. This prepayment was fully amortised during the financial year.

## 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 | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| Trade balances | **3,483** | - |
| Non-trade balances | **-** | 2,664 |
| | **3,483** | 2,664 |
| Allowance for impairment losses: | | |
| At 1 January | **-** | (7,526) |
| Write-off during the financial year | **-** | 7,526 |
| At 31 December | **-** | - |

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 | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| At fair value: | | |
| Unit trusts, quoted in Malaysia | **12,410** | 2,731 |
| Money market fund | **3,599** | 3,646 |
| | **16,009** | 6,377 |
| Market value of unit trusts | **12,410** | 2,731 |
| Market value of money market fund | **3,599** | 3,646 |
| | **16,009** | 6,377 |

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 20. DEPOSITS WITH LICENSED BANKS

Deposits with licensed banks of the Group amounting to RM3,515,218 (2012 - RM3,405,156) are pledged to banks for bank guarantees and 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 | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | % | % | % | % |
| Effective interest rates | **1.85 to 3.10** | 1.85 to 3.50 | **2.10 to 2.50** | 2.20 to 2.25 |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Maturity period (days) | **1 to 365** | 1 to 365 | **1 to 30** | 1 to 30 |

## 21. CASH AND BANK BALANCES

Included in cash and bank balances of the Group is a sum of RM2,450,430 (2012 - RM3,024,978) 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 | | | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | Number Of Shares | | | |
| | '000 | '000 | RM'000 | RM'000 |
| Ordinary Shares Of RM0.50 Each: | | | | |
| Authorised | **600,000** | 600,000 | **300,000** | 300,000 |
| Issued And Fully Paid-Up: | | | | |
| At 1 January | **300,000** | 300,000 | **150,000** | 150,000 |
| Issue of shares pursuant to: | | | | |
| - Private placement | **28,264** | - | **14,132** | - |
| - Employees' Share Scheme Shares (ESS Shares) | **1,441** | - | **721** | - |
| - Employees' Share Scheme Options (ESS Options) exercised | **2,520** | - | **1,260** | - |
| | **32,225** | - | **16,113** | - |
| At 31 December | **332,225** | 300,000 | **166,113** | 150,000 |

## 22. SHARE CAPITAL (CONT'D)

(a) During the current financial year, the Company increased its issued and fully paid-up ordinary shares from RM150,000,000 to RM166,112,695 by the issuance of 32,225,390 ordinary shares as follows:

(i) allotment of new ordinary shares of RM0.50 each pursuant to the first private placement at an issue price of RM1.10 per share for the purpose of working capital.

(ii) allotment of new ordinary shares of RM0.50 each pursuant to the second private placement at an issue price of RM1.14 per share for the purpose of working capital.

(iii) the issuance of 1,441,000 new ordinary shares of RM0.50 each pursuant to the exercise of the Company's ESS Shares at an issue price of RM1.32 per share.

(iv) the issuance of 2,519,800 new ordinary shares of RM0.50 each pursuant to the exercise of the Company's ESS Options at an issue price of RM1.19 per share.

The new shares were issued for cash consideration. The new ordinary shares issued rank pari passu in all respects with the existing shares of the Company.

(b) Of the total 332,225,390 (2012 - 300,000,000) issued and fully paid-up ordinary shares as at 31 December 2013, 17,355,100 (2012 - 3,335,800) were held as treasury shares by the Company. As at 31 December 2013, the number of outstanding ordinary shares in issue and fully paid-up, net of treasury shares, amounted to 314,870,290 (2012 - 296,664,200).

## 23. TREASURY SHARES

| | The Group/The Company | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| At 1 January | **2,835** | 2,834 |
| Share buy-back during the financial year | **15,494** | 1 |
| At 31 December | **18,329** | 2,835 |

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 27 June 2013, 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.

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 23. TREASURY SHARES (CONT'D)

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 2013 | - | 3,335,800 | 2,835 |
| February 2013 | 1.02 | 1,000 | 1 |
| March 2013 | 0.98 - 1.14 | 10,117,300 | 11,293 |
| April 2013 | 1.06 - 1.09 | 3,900,000 | 4,199 |
| September 2013 | 1.32 | 1,000 | 1 |
| At 31 December 2013 | | 17,355,100 | 18,329 |

The total shares purchased under the share buy-back programme were financed by internally generated funds. The shares purchased were retained as treasury shares in accordance with Section 67A of the Companies Act 1965 and are presented as a deduction from shareholders' equity.

## 24. SHARE PREMIUM

| | The Group/The Company 2013 RM'000 | 2012 RM'000 |
|---|---|---|
| At 1 January | **43,531** | 43,531 |
| Arising from the issuance of new ordinary shares during the financial year pursuant to: | | |
| - Private placement | **17,256** | - |
| - ESS Shares | **1,181** | - |
| - ESS Options | **1,739** | - |
| | **20,176** | - |
| Transfer from employee share option reserve upon exercise of share options | **756** | - |
| Share issuance costs | **(100)** | - |
| At 31 December | **64,363** | 43,531 |

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.

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 25. EMPLOYEE SHARE OPTION RESERVE

| | The Group/The Company | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| At 1 January | **-** | - |
| Arising from share-based payments during the financial year | **1,729** | - |
| Transfer to share premium upon exercise of share options | **(756)** | - |
| At 31 December | **973** | - |

The employee share option reserve represents the equity-settled share options granted by the Company to eligible directors and employees under the Employees' Share Scheme (ESS) plan. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

The Employees' Share Scheme of the Company is governed by the ESS By-Laws and was approved by shareholders on 1 October 2013.

The main features of the ESS are as follows:

(a) Eligible persons are confirmed employees and/or directors of the Group, save for companies which are dormant.

(b) The maximum number of new shares of the Company, which may be available under the scheme, shall not exceed in aggregate 15%, or any such amount or percentage as may be permitted by the relevant authorities of the issued and paid-up share capital of the Company at any one time during the existence of the ESS.

(c) The option price shall be determined by the ESS Committee based on the 5-day weighted average market price of shares of the Company immediately preceding the offer date of the option, with a discount of not more than 10%, or at the par value of shares of the Company, whichever is higher.

(d) The option may be exercised by the grantee by notice in writing to the Company in the prescribed form during the option period in respect of all or any part of the new shares of the Company comprised in the ESS.

(e) The ESS shall be in force for a period of five (5) years commencing from 4 October 2013. The Board of Directors shall have the discretion upon recommendation of the ESS Committee to extend the ESS for another five (5) years or such shorter period as is deems fit immediately from the expiry of the first five (5) years.

During the financial year, the Company has granted 1,441,000 new ordinary shares under the ESS (ESS Shares). The ESS Shares were issued at an issue price of RM1.32 and awarded to the eligible employees pursuant to the Company's ESS.

During the financial year, the Company has granted 5,764,000 share options under the ESS (ESS Options). The ESS Options are immediately vested on the grant date and exercisable at any time prior to the expiry date. These share options expire on 31 October 2014.

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 25. EMPLOYEE SHARE OPTION RESERVE (CONT'D)

The option prices and the details in the movement of the options granted are as follows:

| | | <-----Number Of Options Over Ordinary Shares Of RM0.50 Each-----> | | | | |
|---|---|---|---|---|---|---|
| Date Of Offer | Exercise Price | At 4 October 2013 | Granted | Exercised | Forfeited | At 31 December 2013 |
| 17 October 2013 | RM1.19 | **-** | **5,764,000** | **(2,519,800)** | **(40,000)** | **3,204,200** |

The options forfeited during the financial year were due to retirement of an employee.

The fair values of the share options granted were estimated using a trinomial model, taking into account the terms and conditions upon which the options were granted. The fair values of the share options measured at grant date and the assumptions used are as follows:

| | The Group/The Company | |
|---|---|---|
| | 2013 | 2012 |
| Fair value of share options at the grant date (RM) | **30 sen** | - |
| Weighted average share price (RM) | **-** | - |
| Exercise price (RM) | **1.19** | - |
| Expected volatility (%) | **26.92** | - |
| Expected life (years) | **1** | - |
| Risk free rate (%) | **3.75** | - |
| Expected dividend yield (%) | **4.97** | - |

## 26. 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.

## 27. 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.

## 28. RETAINED PROFITS

Under the single tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 29. LONG-TERM BORROWINGS

| | The Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| Secured: | | |
| Hire purchase payables (Note 30) | **1,722** | 2,577 |
| Term loans (Note 31) | **1,678** | 1,748 |
| | **3,400** | 4,325 |

## 30. HIRE PURCHASE PAYABLES

| | The Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| Minimum hire purchase payments: | | |
| - not later than one year | **1,173** | 1,443 |
| - later than one year but not later than five years | **1,884** | 2,841 |
| | **3,057** | 4,284 |
| Less: Future finance charges | **(298)** | (475) |
| Present value of hire purchase payables | **2,759** | 3,809 |
| Current (Note 34): | | |
| - not later than one year | **1,037** | 1,232 |
| Non-current (Note 29): | | |
| - later than one year but not later than five years | **1,722** | 2,577 |
| | **2,759** | 3,809 |

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 31. TERM LOANS

| | The Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| Current (Note 34): | | |
| - not later than one year | **66** | 55 |
| Non-current (Note 29): | | |
| - later than one year and not later than two years | **57** | 73 |
| - later than two years and not later than five years | **285** | 294 |
| - later than five years | **1,336** | 1,381 |
| | **1,678** | 1,748 |
| | **1,744** | 1,803 |

Details of the repayment terms are as follows:

| **Term Loan** | **Number of Monthly Instalment** | **Monthly Instalments RM** | **Date of Commencement of Repayment** | **The Group Amount Outstanding 2013 RM'000** | **The Group Amount Outstanding 2012 RM'000** |
|---|---|---|---|---|---|
| 1 | 240 | 8,205 | February 2011 | **1,175** | 1,215 |
| 2 | 240 | 3,809 | March 2012 | **569** | 588 |
| | | | | **1,744** | 1,803 |

The term loans are secured by:

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

(ii) a corporate guarantee provided by the Company.

## 32. TRADE PAYABLES

| | The Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| Non-current: | | |
| Retention sums | **2,112** | - |
| Current: | | |
| Trade payables | **76,149** | 50,810 |
| Accrued costs | **191,260** | 119,335 |
| Retention sums | **23,502** | 15,813 |
| Progress billings (Note 13) | **1,641** | 8,405 |
| | **292,552** | 194,363 |
| | **294,664** | 194,363 |

The normal trade credit terms granted to the Group range from 30 to 180 days.

The retention sums are unsecured, interest-free and due to be paid within 6 to 12 months (2012 - 6 to 12 months).

## 33. OTHER PAYABLES AND ACCRUALS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Other payables and accruals | **64,002** | 37,905 | **712** | 95 |
| Amount owing to a subsidiary's shareholder | **3,094** | 881 | **-** | - |
| | **67,096** | 38,786 | **712** | 95 |

The amount owing to a subsidiary's shareholder is unsecured, interest-free and repayable on demand. The amount is to be settled in cash.

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 34. SHORT-TERM BORROWINGS

| | The Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| Secured: | | |
| Bills payable | **18,426** | 19,389 |
| Revolving credit | **20,792** | 17,292 |
| Bridging loan | **4,179** | - |
| Hire purchase payables (Note 30) | **1,037** | 1,232 |
| Term loans (Note 31) | **66** | 55 |
| | **44,500** | 37,968 |

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 as disclosed in Note 7 to the financial statements;

The bridging loan is secured by:

(a) a first legal charge over the freehold land which is included in the property development costs of a subsidiary as disclosed in Note 13 to the financial statements;

(b) a fixed and floating charge for all present and future assets of the property development project of a subsidiary;

(c) Deed of assignment over the Project Account of the property development project of a subsidiary; and

(d) a corporate guarantee of the Company

## 35. BANK OVERDRAFTS

Included in the bank overdrafts is an amount of RM6,300,000 (2012 - RM1,179,000) which is secured by a corporate guarantee of the Company. The remaining balance of the bank overdrafts of RM5,627,000 (2012 - Nil) is secured in the same manner as the bridging loan disclosed in Note 34 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 36. REVENUE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Gross dividends from subsidiaries | **-** | - | **32,600** | 41,534 |
| Management fees from subsidiaries | **-** | - | **2,400** | 2,100 |
| Construction and maintenance contracts | **685,564** | 577,089 | **-** | - |
| Property development | **34,822** | 1,568 | **-** | - |
| Sale of goods | **128,401** | 110,583 | **-** | - |
| Education and training fees | **53,456** | 46,878 | **-** | - |
| Engineering services | **59,224** | 48,969 | **-** | - |
| Others | **8,239** | 6,885 | **-** | - |
| | **969,706** | 791,972 | **35,000** | 43,634 |

## 37. PROFIT BEFORE TAXATION

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Profit before taxation is arrived at after charging/(crediting): | | | | |
| Amortisation of development costs | **330** | 440 | **-** | - |
| Audit fee: | | | | |
| - current year | **439** | 369 | **50** | 45 |
| - underprovision in the previous year | **21** | 36 | **-** | - |
| Bad debts written off | **25** | 66 | **-** | - |
| Deposits written off | **-** | 41 | **-** | - |
| Depreciation of property, plant and equipment | **14,322** | 25,855 | **1** | 1 |
| Directors': | | | | |
| - fee | **354** | 216 | **258** | 135 |
| - non-fee emoluments | **1,379** | 2,195 | **1,120** | 174 |
| - share-based payments | **958** | - | **958** | - |
| - benefits-in-kind | **35** | 54 | **35** | - |
| Impairment losses on: | | | | |
| - amount owing by associates | **-** | 336 | **-** | - |
| - investment in associates | **1** | 2,678 | **-** | - |
| - long-term investments | **-** | 135 | **-** | - |
| - trade and other receivables | **4,894** | 11,504 | **-** | - |
| Interest expense: | | | | |
| - bank overdrafts | **147** | 75 | **-** | - |
| - hire purchase | **187** | 238 | **-** | - |
| - bills payable | **1,011** | 696 | **-** | - |
| - revolving credit | **840** | 902 | **-** | - |
| - term loans | **85** | 85 | **-** | - |
| - others | **156** | 251 | **-** | - |

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 37. PROFIT BEFORE TAXATION (CONT'D)

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Profit before taxation is arrived at after charging/(crediting): | | | | |
| Inventories written down | - | 1,090 | - | - |
| Inventories written off | 56 | 755 | - | - |
| Property, plant and equipment written off | 112 | 3,541 | - | - |
| Rental of: | | | | |
| - land | 18 | 33 | - | - |
| - office premises | 3,050 | 1,955 | - | - |
| - plant and machinery | 195 | 171 | - | - |
| - motor vehicles | 1,003 | 459 | 4 | 25 |
| - office equipment | 682 | 605 | - | - |
| - others | 148 | 108 | - | - |
| Staff costs: | | | | |
| - salaries, wages, bonuses and allowances | 73,101 | 68,984 | 2,686 | 1,254 |
| - defined contribution plan | 8,726 | 7,111 | 305 | 136 |
| - share-based payments | 2,642 | - | 799 | - |
| - other benefits | 6,021 | 5,822 | 108 | 117 |
| Bad debts recovered | (1,887) | - | - | - |
| Loss/(Gain) on disposal of property, plant and equipment | 564 | (275) | - | - |
| Interest income: | | | | |
| - financial institution | (1,598) | (2,109) | (103) | (99) |
| - others | (148) | (1,092) | - | - |
| Net foreign exchange (gain)/loss: | | | | |
| - unrealised | (1,791) | (129) | - | - |
| - realised | (28) | 679 | - | - |
| Rental income | (335) | (344) | - | - |
| Tax-exempt dividends received from investment in unit trusts | (540) | (875) | - | - |
| Waiver of debts | - | (682) | - | - |
| Writeback of impairment losses on: | | | | |
| - long-term investments | (30) | - | - | - |
| - trade and other receivables | (2,251) | (6,438) | - | - |

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 38. DIRECTORS' REMUNERATION

The aggregate amounts of remuneration received and receivable by the directors of the Group and the Company during the financial year are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Directors of the Company: | | | | |
| Executive directors' remuneration: | | | | |
| - Fees | **-** | 62 | **-** | - |
| - Other emoluments | **1,338** | 2,079 | **1,120** | 163 |
| | **1,338** | 2,141 | **1,120** | 163 |
| Non-executive directors' remuneration: | | | | |
| - Fees | **354** | 154 | **258** | 135 |
| - Other emoluments | **41** | 116 | **-** | 11 |
| | **395** | 270 | **258** | 146 |
| Directors of the Subsidiaries: | | | | |
| Executive directors' remuneration: | | | | |
| - Fees | **114** | 284 | **-** | - |
| - Other emoluments | **4,441** | 2,320 | **-** | - |
| | **4,555** | 2,604 | **-** | - |
| Total directors' remuneration | **6,288** | 5,015 | **1,378** | 309 |

### 38. DIRECTORS' REMUNERATION (CONT'D)

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Total directors' remuneration | **6,288** | 5,015 | **1,378** | 309 |
| Estimated money value of benefits-in-kind | **86** | 94 | **35** | - |
| Share-based payments | **2,404** | - | **958** | - |
| Total directors' remuneration including benefits-in-kind | **8,778** | 5,109 | **2,371** | 309 |
| Executive: | | | | |
| Fee | **114** | 346 | **-** | - |
| Salaries and emoluments | **4,805** | 3,416 | **805** | 145 |
| Bonus | **420** | 563 | **195** | - |
| Contributions to defined contribution plans | **554** | 420 | **120** | 18 |
| Estimated money value of benefits-in-kind | **86** | 94 | **35** | - |
| Share-based payments | **1,950** | - | **504** | - |
| | **7,929** | 4,839 | **1,659** | 163 |
| Non-Executive: | | | | |
| Fees | **354** | 154 | **258** | 135 |
| Other emoluments | **41** | 116 | **-** | 11 |
| Share-based payments | **454** | - | **454** | - |
| | **8,778** | 5,109 | **2,371** | 309 |

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

| | The Company Number Of Directors | |
|---|---|---|
| | 2013 | 2012 |
| Executive Directors: | | |
| Below RM1,000,000 | **-** | 3 |
| RM1,000,001 - RM1,150,000 | **1** | 1 |
| Non-Executive Directors: | | |
| Below RM50,000 | **4** | 8 |
| RM50,001 - RM100,000 | **1** | - |
| RM150,001 - RM200,000 | **1** | 1 |

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 39. INCOME TAX EXPENSE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Current tax expense: | | | | |
| Charge for the financial year | **32,328** | 35,882 | **-** | 81 |
| (Over)/Underprovision in the previous financial year | **(1,442)** | 92 | **(26)** | 131 |
| | **30,886** | 35,974 | **(26)** | 212 |
| Deferred tax expense (Note 11): | | | | |
| Relating to origination and reversal of temporary differences | **503** | (49) | **-** | - |
| Under/(Over)provision in the previous financial year | **317** | (583) | **-** | - |
| | **820** | (632) | **-** | - |
| | **31,706** | 35,342 | **(26)** | 212 |

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

The statutory tax rate will be reduced to 24% from the current financial year's rate of 25%, effective year of assessment 2016.

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 | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Profit before taxation | **104,735** | 106,557 | **24,794** | 41,614 |
| Tax at the statutory tax rate of 25% | **26,184** | 26,639 | **6,198** | 10,403 |
| Tax effects of: | | | | |
| Differential in tax rates | **9** | 63 | **-** | - |
| Non-deductible expenses | **5,460** | 24,979 | **1,952** | 61 |
| Non-taxable income | **(1,391)** | (17,051) | **(8,150)** | (10,383) |
| Utilisation of previously unrecognised deferred tax asset | **(461)** | (34) | **-** | - |
| Deferred tax asset not recognised during the financial year | **3,030** | 1,237 | **-** | - |
| Under/(Over)provision in the previous financial year: | | | | |
| - current tax | **(1,442)** | 92 | **(26)** | 131 |
| - deferred tax | **317** | (583) | **-** | - |
| Income tax expense for the financial year | **31,706** | 35,342 | **(26)** | 212 |

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 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 | |
|---|---|---|
| | 2013 RM'000 | 2012 RM'000 |
| Net profit for the financial year (RM'000) | **48,173** | 37,472 |
| Weighted average number of ordinary shares in issue ('000) | **308,021** | 296,665 |
| Basic earnings per share (sen) | **15.64** | 12.63 |

The diluted earnings per share was not presented as there is an anti-dilutive effect arising from the assumed conversion of the balance of share options granted at the end of the reporting period as disclosed in Note 25 to the financial statements.

## 41. DIVIDENDS

| | The Company | |
|---|---|---|
| | 2013 RM'000 | 2012 RM'000 |
| 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 |
| Final single tier dividend of 4 sen per ordinary share in respect of the financial year ended 31 December 2012 | **12,139** | - |
| Interim single tier dividend of 4 sen per ordinary share in respect of the financial year ended 31 December 2013 | **12,595** | - |
| | **24,734** | 41,533 |

At the forthcoming Annual General Meeting, the directors recommend a final single tier dividend of 6 sen per ordinary share in respect of the financial year ended 31 December 2013 amounting to approximately RM18,892,217 computed based on the issued and paid-up capital with voting rights as at 31 December 2013 of 314,870,290 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 2014.

## 42. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

### 42.1 ACQUISITION OF SUBSIDIARIES

During the financial year, the Group acquired a 64% equity interest in Sun Rock Development Sdn. Bhd. (SRDSB)

The fair values of the identifiable assets and liabilities of SRDSB at the date of acquisition were as follows:

| | At Date Of Acquisition | |
|---|---|---|
| | Carrying Amount RM'000 | Fair Value Recognised RM'000 |
| Other receivables and deposits | 2,837 | 2,837 |
| Cash and cash equivalents | 213 | 213 |
| Other payables and accruals | (3,106) | (3,106) |
| Net identifiable assets and liabilities | (56) | (56) |
| Less: Non-controlling interests | | 20 |
| Add: Goodwill on acquisition | | 36 |
| Total purchase consideration | | * |
| Less: Cash and cash equivalents of subsidiary acquired | | (213) |
| Net cash inflow for acquisition of a subsidiary | | 213 |

* - RM64

The non-controlling interests are measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition

The acquired subsidiary has contributed the following results to the Group:

| | 2013 RM'000 |
|---|---|
| Revenue | - |
| Profit after taxation | 6 |

If the acquisition had taken place at the beginning of the financial year, the Group's revenue and profit after taxation would have been RM969,706,000 and RM73,029,000 respectively.

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 42. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONT'D)

### 42.2 ACQUISITION OF NON-CONTROLLING INTERESTS (NCI)

During the financial year, the Group acquired additional ordinary shares not already owned by the Group in the following subsidiaries:

| Name Of Subsidiary | Equity Interest Acquired (%) | Purchase Consideration RM |
|---|---|---|
| HCM-Ikhtisas Sdn. Bhd. | 18 | 33 |
| HCM Arabia Sdn. Bhd. | 18 | 33 |
| Protasco Land SA (Pty) Ltd. | 30 | 0.30 |

The details on the effects of the acquisitions of the additional equity interests in existing subsidiaries are as follows:

| | 2013 RM'000 |
|---|---|
| Net debit balance acquired from NCI | **(9,743)** |
| Premium paid on acquisition of NCI | **9,743** |
| Purchase consideration | ***** |
| Less: Non-cash consideration | **-** |
| Net cash outflow from acquisition of additional equity interest in subsidiaries | ***** |

* - RM66

## 43. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Cost of property, plant and equipment purchased | **19,006** | 23,216 | **23** | 3 |
| Amount financed through hire purchase | **(1,498)** | (1,216) | **-** | - |
| Cash disbursed for purchase of property, plant and equipment | **17,508** | 22,000 | **23** | 3 |

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 44. CASH AND CASH EQUIVALENTS

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Cash and bank balances | **66,901** | 90,307 | **13,475** | 780 |
| Deposits with licensed banks | **155,951** | 59,259 | **2,996** | 853 |
| Bank overdrafts | **(11,927)** | (1,179) | **-** | - |
| | **210,925** | 148,387 | **16,471** | 1,633 |
| Less: Deposits pledged to licensed banks | **(3,515)** | (3,405) | **-** | - |
| | **207,410** | 144,982 | **16,471** | 1,633 |

## 45. CAPITAL COMMITMENTS

| | The Group | |
|---|---|---|
| | 2013 RM'000 | 2012 RM'000 |
| Approved and contracted for: | | |
| Investment in subsidiaries | **-** | 120,500 |
| Purchase of property, plant and equipment | **1,465** | 1,603 |
| | **1,465** | 122,103 |
| Approved but not contracted for: | | |
| Purchase of property, plant and equipment | **2,690** | 6,049 |

## 46. CONTINGENT LIABILITIES

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 judgments 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 judgements 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.

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 46. CONTINGENT LIABILITIES (CONT'D)

On 13 June 2013, HCM proceeded to file an application to strike out both abovementioned suits (striking out application). On 13 March 2014, the plaintiff filed an application to amend the Statement of Claim in respect of the Shah Alam High Court Suit No: 22-1559-2010 (amendment application).

After several adjournments, the hearing date for the striking out application and the amendment application was fixed on 14 May 2014.

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.

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2013 RM'000** | **2012 RM'000** | **2013 RM'000** | **2012 RM'000** |
| Unsecured: | | | | |
| Guarantees given to financial institutions for credit facilities granted to subsidiaries | **-** | - | **307,670** | 271,670 |
| Corporate guarantees given to suppliers for credit facilities granted to a subsidiary | **53,900** | 24,700 | **53,900** | 24,700 |
| 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 | **3,662** | 497 | **-** | - |
| Performance guarantee extended by subsidiaries to third parties | **7,689** | 8,063 | **-** | - |

## 47. 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.

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 47. RELATED PARTY DISCLOSURES (CONT'D)

(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 | |
|---|---|---|---|---|
| | **2013 RM'000** | **2012 RM'000** | **2013 RM'000** | **2012 RM'000** |
| Gross dividends from subsidiaries | **-** | - | **(32,600)** | (41,533) |
| Management fees from subsidiaries | **-** | - | **(2,400)** | (2,100) |
| Services rendered to a related party | **(251)** | (928) | **-** | - |
| Rental payable to: | | | | |
| - a company substantially owned by a director of a subsidiary | **30** | 30 | **-** | - |
| Services rendered to an associate | **7,724** | - | **-** | - |

(c) Key management personnel compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel of the Group and of the Company includes Executive Directors and Non-Executive Directors and certain members of senior management of the Group and of the Company.

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2013 RM'000** | **2012 RM'000** | **2013 RM'000** | **2012 RM'000** |
| Short-term employee benefits | **6,374** | 5,109 | **1,413** | 309 |
| Share-based payments | **2,404** | - | **958** | - |
| | **8,778** | 5,109 | **2,371** | 309 |

## 48. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The following are the significant events involving the Group and the Company during 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).

On 4 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 8 February 2013.

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

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

The following are the significant events involving the Group and the Company during the financial year (Cont'd):

On 12 July 2013, the Company announced the placement of 7,431,380 new ordinary shares of RM0.50 each, to be issued pursuant to the second tranche of the Proposed Private Placement at an issue price of RM1.14 per Placement share. The issuance was completed on 17 July 2013.

(b) On 30 August 2013, Protasco Development Sdn. Bhd. (PDSB), a wholly-owned subsidiary of the Company, entered into a Share Sale Agreement with Asdion Berhad (AB) to acquire 64 ordinary shares of RM1.00 each in Sun Rock Development Sdn. Bhd. (SRDSB) for a total cash consideration of RM64.00, representing 64% equity interest in SRDSB.

On the same date, AB and PDSB entered into a shareholder agreement to regulate their relationship as shareholders. SRDSB entered into an agreement to purchase five (5) parcels of commercial land measuring 14.369 acres located at Pasir Gudang, Johor with 99 years lease expiring on 20 September 2084 held under title HS(D) 478356, 478357, 478360, 478361 and 478167 Mukim Plentong District Johor Bahru, Negeri Johor for an estimated cost of RM22.5 million through SRDSB.

On 12 December 2013, the Company proposes to provide financial assistance of up to RM130.28 million to SRDSB in the form of loans, advances and/or corporate guarantees for loan facilities to be taken by SRDSB (Proposed Provision of Financial Assistance).

On 30 January 2014, the shareholders of the Company have at the Extraordinary General Meeting passed the resolution in respect of the Proposed Provision of Financial Assistance.

(c) On 28 December 2012, the Company entered into a conditional Sale and Purchase Agreement (Conditional SPA) with PT Anglo Slavic Utama 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.

PT ASI holds 95% equity interest in PT Firman Andalan Sakti (PT FAS) 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 (KST Field) from 14 December 2004.

On 29 January 2014, the Company entered into an amended and restated Sale and Purchase Agreement (Restated SPA) with PT ASU to amend, vary and restate, in its entirety, the Conditional SPA. With the execution of the Restated SPA, the Company acquired 78,750,000 ordinary shares of IDR1,000 each in PT ASI representing 63% equity interest in PT ASI from PT ASU for a total purchase consideration of USD22.0 million. The purchase consideration was paid by off-setting the deposit of RM50.0 million and the balance was paid by cash.

The Restated SPA is subject to, amongst others, the following conditions subsequent to the completion of the Restated SPA:

(i) Consent of Pertamina;
(ii) Extension of the PMP Agreement for a further ten (10) year period; and
(iii) Issuance of SKT Migas licence by the Ministry of Energy and Mineral Resources' General of Oil and Gas Indonesia to PT Haseba.

## 49. 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 22 January 2014 and 7 February 2014, a total of 354,400 new ordinary shares of RM0.50 each were listed pursuant to the ESS.

(b) From 24 January 2014 until 29 January 2014, the Company sold its entire Treasury Shares of 17,355,100 units at an average price of RM1.43 per share.

(c) On 3 April 2014, the Company incorporated a wholly-owned subsidiary, Protasco Venture Partners Inc (PVP), a private limited company incorporated in the British Virgin Islands.

Following the incorporation, PVP had on 7 April 2014, acquired Jalur Saujana Sdn. Bhd. (JSSB). JSSB is a company incorporated in Malaysia with an authorised share capital of RM400,000 comprising 400,000 ordinary shares of RM1.00 each, of which 2 ordinary shares of RM1.00 has been issued as fully-paid up share capital. JSSB's intended principal activity is to undertake investment proposals for Protasco Group.

## 50. 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 educational 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.

## 50. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

| | 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 |
|---|---|---|---|---|---|---|---|---|
| **2013** | | | | | | | | |
| **Revenue** | | | | | | | | |
| External sales | 685,564 | 58,696 | 34,822 | 53,793 | 133,849 | 2,982 | - | 969,706 |
| Inter-segment sales | - | 5,820 | - | - | 32,689 | 35,000 | (73,509) | - |
| Total revenue | 685,564 | 64,516 | 34,822 | 53,793 | 166,538 | 37,982 | (73,509) | 969,706 |
| **Results** | | | | | | | | |
| Segment results | 92,730 | 12,696 | 6,102 | 2,051 | 4,417 | 25,183 | (36,032) | 107,147 |
| Profit from operations | | | | | | | | 107,147 |
| Finance costs | | | | | | | | (2,427) |
| Share of profits in associates | | | | | | | | 15 |
| Income tax expense | | | | | | | | (31,706) |
| Profit after taxation | | | | | | | | 73,029 |
| Non-controlling interests | | | | | | | | (24,856) |
| Net profit attributable to owners of the Company | | | | | | | | 48,173 |

## 50. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

| | 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 |
|---|---|---|---|---|---|---|---|---|
| **2013** | | | | | | | | |
| **Assets** | | | | | | | | |
| Segment assets | 496,889 | 224,646 | 86,291 | 2,617 | 82,614 | 319,313 | (335,485) | 876,885 |
| Investment in associates | 37 | 73 | - | - | - | - | - | 110 |
| Unallocated corporate assets | 300 | 1,856 | 10 | 440 | 346 | - | - | 2,952 |
| Consolidated total assets | | | | | | | | 879,947 |
| **Liabilities** | | | | | | | | |
| Segment liabilities | 291,327 | 126,109 | 78,930 | 20,418 | 68,675 | 49,302 | (200,579) | 434,182 |
| Unallocated corporate liabilities | 10,659 | 5,468 | 459 | 199 | 22 | 2,966 | - | 19,773 |
| Consolidated total liabilities | | | | | | | | 453,955 |
| **Other Information** | | | | | | | | |
| Capital expenditure | 11,295 | 1,076 | 76 | 5,588 | 915 | 56 | - | 19,006 |
| Depreciation and amortisation | 7,010 | 3,494 | 27 | 3,358 | 628 | 135 | - | 14,652 |

**50. OPERATING SEGMENTS (CONT'D)**

BUSINESS SEGMENTS (CONT'D)

| | 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 |
|---|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | | |
| **Revenue** | | | | | | | | |
| External sales | 577,089 | 52,589 | 1,568 | 47,273 | 110,583 | 2,870 | - | 791,972 |
| Inter-segment sales | 3,861 | 1,635 | - | - | 11,807 | 43,634 | (60,937) | - |
| Total revenue | 580,950 | 54,224 | 1,568 | 47,273 | 122,390 | 46,504 | (60,937) | 791,972 |
| **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 |

## 50. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

| | 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 |
|---|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | | |
| **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 |

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 50. OPERATING SEGMENTS (CONT'D)

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

## 51. FOREIGN EXCHANGE RATES

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

| | The Group | |
|---|---|---|
| | **2013** | **2012** |
| Chinese Renminbi | **0.54** | 0.48 |
| Euro | **4.47** | 4.05 |
| Hong Kong Dollar | **0.42** | 0.39 |
| Libyan Dinar | **2.66** | 2.42 |
| South African Rand | **0.31** | 0.35 |
| United States Dollar | **3.29** | 3.04 |

## 52. 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.

### 52.1 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.

## 52. FINANCIAL INSTRUMENTS (CONT'D)

### 52.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(a) Market Risk (Cont'd)**

(i) Foreign Currency Risk (Cont'd)

*Foreign currency exposure*

| The Group | Libyan Dinar RM'000 | Euro RM'000 | South African Rand RM'000 | United States Dollar RM'000 | Hong Kong Dollar RM'000 | Chinese Renminbi RM'000 | Ringgit Malaysia RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **2013** | | | | | | | | |
| **Financial assets** | | | | | | | | |
| Long-term investments | - | - | - | - | - | - | 225 | 225 |
| Trade receivables | - | - | - | 454 | - | - | 304,929 | 305,383 |
| Other receivables and deposits | - | 190 | - | 18,596 | - | - | 95,028 | 113,814 |
| Amount owing by associates | - | - | - | - | - | - | 3,483 | 3,483 |
| Short-term investments | - | - | - | - | - | - | 16,009 | 16,009 |
| Deposits with licensed banks | - | - | - | - | - | - | 155,951 | 155,951 |
| Cash and bank balances | 1,328 | 6 | 75 | 23 | 25 | 134 | 65,310 | 66,901 |
| | 1,328 | 196 | 75 | 19,073 | 25 | 134 | 640,935 | 661,766 |
| **Financial liabilities** | | | | | | | | |
| Trade payables | 1,843 | - | - | - | - | - | 291,180 | 293,023 |
| Other payables and accruals | - | 11 | 8 | - | 7 | 1,461 | 65,609 | 67,096 |
| Dividend payable | - | - | - | - | - | - | 12,595 | 12,595 |
| Borrowings | - | - | - | - | - | - | 47,900 | 47,900 |
| Bank overdrafts | - | - | - | - | - | - | 11,927 | 11,927 |
| | 1,843 | 11 | 8 | - | 7 | 1,461 | 429,211 | 432,541 |
| Net financial assets/(liabilities) | (515) | 185 | 67 | 19,073 | 18 | (1,327) | 211,724 | 229,225 |
| Less: Net financial (assets)/liabilities denominated in the respective entities functional currencies | 515 | (185) | (67) | - | (18) | 1,327 | (211,724) | (210,152) |
| **Currency exposure** | - | - | - | 19,073 | - | - | - | 19,073 |

**52. FINANCIAL INSTRUMENTS (CONT'D)**

**52.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)**

**(a) Market Risk (Cont'd)**

(i) Foreign Currency Risk (Cont'd)

*Foreign currency exposure (Cont'd)*

| 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 |

## 52. FINANCIAL INSTRUMENTS (CONT'D)

### 52.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

*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 | |
|---|---|---|
| | **2013 Increase/ (Decrease) RM'000** | **2012 Increase/ (Decrease) RM'000** |
| **Effects on profit after taxation/equity** | | |
| Australian Dollar: | | |
| - strengthened by 5% | **-** | * |
| - weakened by 5% | **-** | * |
| United States Dollar: | | |
| - strengthened by 5% | **715** | 19 |
| - weakened by 5% | **(715)** | (19) |

* - 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.

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 52. FINANCIAL INSTRUMENTS (CONT'D)

### 52.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (a) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

Exposure to interest rate risk

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

| | The Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| **Fixed rate instruments** | | |
| Deposits with a licensed bank | **155,951** | 59,259 |
| Hire purchase payables | **(2,759)** | (3,809) |
| Bills payable | **(18,426)** | (19,389) |
| Revolving credit | **(20,792)** | (17,292) |
| Bridging loan | **(4,179)** | - |
| | **109,795** | 18,769 |
| **Floating rate instruments** | | |
| Term loans | **1,744** | 1,803 |
| Bank overdrafts | **11,927** | 1,179 |
| | **13,671** | 2,982 |

Interest rate risk sensitivity analysis

The interest rate risk sensitivity analysis on the fixed rate instruments is not disclosed as these financial instruments are measured at amortised cost.

## 52. FINANCIAL INSTRUMENTS (CONT'D)

### 52.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (a) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

Interest rate risk sensitivity analysis (Cont'd)

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 | |
|---|---|---|
| | **2013 Increase/ (Decrease) RM'000** | **2012 Increase/ (Decrease) RM'000** |
| **Effects on profit after taxation** | | |
| Increase of 100 basis points (bp) | **(103)** | (22) |
| Decrease of 100 bp | **103** | 22 |
| **Effects on equity** | | |
| Increase of 100 bp | **(103)** | (22) |
| Decrease of 100 bp | **103** | 22 |

(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 RM800,000 (2012 - RM319,000). 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 52. FINANCIAL INSTRUMENTS (CONT'D)

### 52.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

(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 |
|---|---|---|---|---|
| **2013** | | | | |
| Not past due | **211,508** | **(381)** | **-** | **211,127** |
| Past due: | | | | |
| - less than 6 months | **56,077** | **-** | **-** | **56,077** |
| - 6 to 12 months | **15,342** | **-** | **-** | **15,342** |
| - 1 to 2 years | **20,058** | **(316)** | **-** | **19,742** |
| - more than 2 years | **30,764** | **(24,565)** | **-** | **6,199** |
| | **333,749** | **(25,262)** | **-** | **308,487** |
| **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 | 30,602 | (24,591) | - | 6,011 |
| | 280,031 | (24,696) | - | 255,335 |

## 52. FINANCIAL INSTRUMENTS (CONT'D)

### 52.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (b) Credit Risk (Cont'd)

(iii) Ageing analysis (Cont'd)

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.

## 52. FINANCIAL INSTRUMENTS (CONT'D)

### 52.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (c) Liquidity Risk (Cont'd)

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 | 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 |
|---|---|---|---|---|---|---|
| **2013** | | | | | | |
| Trade payables | **-** | **293,023** | **293,023** | **293,023** | **-** | **-** |
| Other payables | **-** | **67,096** | **67,096** | **67,096** | **-** | **-** |
| Dividend payable | **-** | **12,595** | **12,595** | **12,595** | **-** | **-** |
| Hire purchase payables | **3.85 to 7.13** | **2,759** | **3,057** | **1,173** | **1,884** | **-** |
| Term loans | **4.90** | **1,744** | **2,650** | **144** | **721** | **1,785** |
| Bills payable | **4.50 to 5.00** | **18,426** | **18,426** | **18,426** | **-** | **-** |
| Revolving credit | **4.90** | **20,792** | **20,792** | **20,792** | **-** | **-** |
| Bridging loan | **4.78** | **4,179** | **4,179** | **4,179** | **-** | **-** |
| Bank overdrafts | **7.60 to 7.75** | **11,927** | **11,927** | **11,927** | **-** | **-** |
| | | **432,541** | **433,745** | **429,355** | **2,605** | **1,785** |
| **2012** | | | | | | |
| Trade payables | - | 185,958 | 185,958 | 185,958 | - | - |
| Other payables | - | 38,786 | 38,786 | 38,786 | - | - |
| Hire purchase payables | 4.13 to 7.13 | 3,809 | 4,284 | 1,443 | 2,841 | - |
| Term loans | 4.90 | 1,803 | 2,645 | 144 | 721 | 1,780 |
| 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 |

## 52. FINANCIAL INSTRUMENTS (CONT'D)

### 52.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (c) Liquidity Risk (Cont'd)

| The Company | 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 |
|---|---|---|---|---|---|---|
| **2013** | | | | | | |
| Other payables | - | **712** | **712** | **712** | - | - |
| Amount owing to subsidiaries | - | **34,500** | **34,500** | **34,500** | - | - |
| Dividend payable | - | **12,595** | **12,595** | **12,595** | - | - |
| | | **47,807** | **47,807** | **47,807** | - | - |
| **2012** | | | | | | |
| Other payables | - | 95 | 95 | 95 | - | - |
| Amount owing to subsidiaries | - | 34,500 | 34,500 | 34,500 | - | - |
| | | 34,595 | 34,595 | 34,595 | - | - |

### 52.2 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 Company manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt (total interest-bearing borrowings less cash and cash equivalents) divided by total equity.

There was a change in the net debt components to compute the debt-to-equity ratio during the financial year. In the previous financial year, net debt constituted total interest-bearing borrowings plus trade and other payables less cash and cash equivalents. In the current financial year, net debt constituted total interest-bearing borrowings less cash and cash equivalents.

The debt-to-equity ratio of the Company at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total interest-bearing borrowings.

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

## 52. FINANCIAL INSTRUMENTS (CONT'D)

### 52.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| **Financial assets** | | | | |
| Available-for-sale financial assets | | | | |
| Long-term investments, at fair value | **195** | 165 | **-** | - |
| Long-term investments, at cost | **30** | 30 | **-** | - |
| | **225** | 195 | **-** | - |
| Loans and receivables financial assets | | | | |
| Trade receivables | **305,382** | 244,366 | **-** | - |
| Other receivables and deposits | **113,814** | 84,721 | **50,081** | 50,005 |
| Amount owing by associates | **3,483** | 2,664 | **-** | - |
| Amount owing by subsidiaries | **-** | - | **69,772** | 48,873 |
| Deposits with licensed banks | **155,951** | 59,259 | **2,996** | 853 |
| Cash and bank balances | **66,901** | 90,307 | **13,475** | 780 |
| | **645,531** | 481,317 | **136,324** | 100,511 |
| Fair value through profit or loss | | | | |
| Short-term investments | **16,009** | 6,377 | **-** | - |
| **Financial liabilities** | | | | |
| Other financial liabilities | | | | |
| Trade payables | **293,023** | 185,958 | **-** | - |
| Other payables | **67,096** | 38,786 | **712** | 95 |
| Amount owing to subsidiaries | **-** | - | **34,500** | 34,500 |
| Dividend payable | **12,595** | - | **12,595** | - |
| Hire purchase payables | **2,759** | 3,809 | **-** | - |
| Term loans | **1,744** | 1,803 | **-** | - |
| Bills payable | **18,426** | 19,389 | **-** | - |
| Revolving credit | **20,792** | 17,292 | **-** | - |
| Bridging loan | **4,179** | - | **-** | - |
| Bank overdrafts | **11,927** | 1,179 | **-** | - |
| | **432,541** | 268,216 | **47,807** | 34,595 |

## 52. FINANCIAL INSTRUMENTS (CONT'D)

### 52.4 FAIR VALUE INFORMATION

Other than those disclosed below, the fair values of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

| | Fair Value Of Financial Instruments Carried At Fair Value | | | Fair Value Of Financial Instruments Not Carried At Fair Value | | | Total Fair Value | Carrying Amount |
|---|---|---|---|---|---|---|---|---|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | RM'000 | RM'000 |
| **2013** | | | | | | | | |
| Financial Assets | | | | | | | | |
| Long-term investments: | | | | | | | | |
| - unquoted shares | - | - | - | # | # | # | # | 30 |
| Short-term investments: | | | | | | | | |
| - quoted | 16,009 | - | - | - | - | - | 16,009 | 16,009 |
| Financial Liability | | | | | | | | |
| Hire purchase payables | - | - | - | - | 2,761 | - | 2,761 | 2,759 |
| Term loans | - | - | - | - | 1,744 | - | 1,744 | 1,744 |

## 52. FINANCIAL INSTRUMENTS (CONT'D)

### 52.4 FAIR VALUE INFORMATION (CONT'D)

| | Fair Value Of Financial Instruments Carried At Fair Value | | | Fair Value Of Financial Instruments Not Carried At Fair Value | Total Fair Value | Carrying Amount |
|---|---|---|---|---|---|---|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Level * RM'000 | RM'000 | RM'000 |
| **2012** | | | | | | |
| Financial Assets | | | | | | |
| Long-term investments: | | | | | | |
| - unquoted shares | - | - | - | # | # | 30 |
| Short-term investments: | | | | | | |
| - quoted | 6,377 | - | - | | | |
| Financial Liability | | | | | | |
| Hire purchase payables | - | - | - | 3,832 | 3,832 | 3,809 |
| Term loans | - | - | - | 1,803 | 1,803 | 1,803 |

Notes:

* Comparative fair value information is not presented by levels, by virtue of the exemption given in MFRS 13.

\# The fair value cannot be reliably measured using valuation techniques due to lack of marketability of the unquoted shares.

## 52. FINANCIAL INSTRUMENTS (CONT'D)

### 52.4 FAIR VALUE INFORMATION (CONT'D)

The fair values of level 1 and level 2 above have been determined using the following basis:

(a) The fair values of quoted investments are measured at their quoted closing bid prices at the end of the reporting period.

(b) The fair values of hire purchase payables and term loans 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 the estimated cash flows are as follows:

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

| | The Group | |
|---|---|---|
| | **2013** | **2012** |
| | **%** | **%** |
| Hire purchase payables | **7.42% - 8.47%** | 4.5% - 7.2% |
| Term loans | **4.9%** | 4.9% |

In regard to financial instruments carried at fair value, there were no transfer between level 1 and level 2 during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2013

### 53. 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): | | |
| NON-CURRENT ASSETS: | | |
| Investment property | 1,433 | - |
| CURRENT ASSETS: | | |
| Property development costs | 7,901 | 9,334 |
| CURRENT LIABILITIES | | |
| Trade payables | 194,363 | 185,958 |
| Other payables and accruals | 38,786 | 47,191 |
| CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (EXTRACT): | | |
| Revenue | 791,972 | 793,895 |
| Cost of Sales | (583,776) | (585,699) |
| CONSOLIDATED STATEMENT OF CASH FLOWS (EXTRACT): | | |
| CASH FLOWS FOR OPERATING ACTIVITIES | | |
| Increase in property development costs | (8,279) | (9,712) |
| NET CASH FROM OPERATING ACTIVITIES | 20,826 | 19,393 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investment property | (1,433) | - |
| Withdrawal of deposits pledged with licensed banks | 1,986 | - |
| NET CASH FROM INVESTING ACTIVITIES | 5,086 | 4,533 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | 181,700 | 187,091 |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR | 144,982 | 148,387 |

### 54. 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 | |
|---|---|---|
| | **2013 RM'000** | **2012 RM'000** |
| Total retained profits of the Company and its subsidiaries: | | |
| - realised | **266,725** | 246,057 |
| - unrealised | **(8,854)** | (8,034) |
| | **257,871** | 238,023 |
| Total share of retained profits of associate: | | |
| - unrealised | **(12)** | 1,650 |
| | **257,859** | 239,673 |
| Less: Consolidation adjustments | **(80,055)** | (75,565) |
| At 31 December | **177,804** | 164,108 |

| | The Company | |
|---|---|---|
| | **2013 RM'000** | **2012 RM'000** |
| Total retained profits: | | |
| - realised | **1,670** | 1,584 |
| - unrealised | **-** | - |
| At 31 December | **1,670** | 1,584 |

# LIST OF PROPERTIES

| No | Location | Description/ Existing Use | Age of Buildings | Tenure | Approx. Land Area sq. ft. | Net Book Value at 31.12.2013 RM'000 | Date of Revaluation*/ Acquisition# |
|---|---|---|---|---|---|---|---|
| 1 | Lot No. 52500, 52501, 52502, 52503, 52504, 52505 & 52518, Bandar Baru Bangi, District of Sepang, State of Selangor Darul Ehsan. | Institutional, commercial and residential | Between 5 - 31 years | Freehold | 3.581 million | 105,607 | 18.04.02* |
| 2 | Lot No. 52517, Bandar Baru Bangi, District of Sepang, State of Selangor Darul Ehsan. | Land held for property development | N/A | Freehold | 197,593 | 30,482 | 18.04.02* |
| 3 | 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 | 16 years | Freehold | 9,558 | 629 | 18.04.02* |
| 4 | 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 | 18 years | Freehold | 2,799 | 731 | 18.04.02* |
| 5 | Lot No. P.T. 172, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan. | Intermediate four-storey shophouse | 30 years | Leasehold 99 years expiring in 2076 | 1,760 | 688 | 01.03.02# |
| 6 | Lot No. P.T. 166, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan. | Intermediate four-storey shophouse | 30 years | Leasehold 99 years expiring in 2076 | 1,760 | 576 | 11.06.02# |
| 7 | Lot No. P.T. 167, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan. | Intermediate four-storey shophouse | 30 years | Leasehold 99 years expiring in 2076 | 1,760 | 576 | 11.06.02# |
| 8 | Lot No. P.T. 168, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan. | Intermediate four-storey shophouse | 30 years | Leasehold 99 years expiring in 2076 | 1,760 | 576 | 11.06.02# |
| 9 | Lot No. P.T. 169, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan. | Corner lot four-storey shophouse | 30 years | Leasehold 99 years expiring in 2076 | 2,208 | 807 | 11.06.02# |

# LIST OF PROPERTIES

| No | Location | Description/ Existing Use | Age of Buildings | Tenure | Approx. Land Area sq. ft. | Net Book Value at 31.12.2013 RM'000 | Date of Revaluation*/ Acquisition# |
|---|---|---|---|---|---|---|---|
| 10 | Country Lease, No. 075356580, Sungai Tinosan, Sandakan, Sabah. | Land for future development | N/A | Leasehold 99 years expiring in 2074 | 291,850 | 623 | 10.03.05# |
| 11 | HS (M) 1156, Blok 7, Mukim of Dengkil, District of Sepang, State of Selangor Darul Ehsan. | Workshop | 8 years | Leasehold 99 years expiring in 2080 | 126,300 | 1,823 | 05.08.05# |
| 12 | 2 Cauldrons Crescent, Viking Village, Kraaifontein, City of Cape Town, South Africa. | Vacant land | N/A | Freehold | 5,380 | 99 | 19.01.07# |
| 13 | 4-14 Odin Drive, Viking Village, Kraaifontein, City of Cape Town, South Africa. | Vacant land | N/A | Freehold | 61,579 | 1,091 | 19.01.07# |
| 14 | 2,4 Viking Way, Viking Village, Kraaifontein, City of Cape Town, South Africa. | Vacant land | N/A | Freehold | 12,008 | 198 | 19.01.07# |
| 15 | 25, 27, 29 31, 33, 35, 37 Mostert Street, Viking Village, Kraaifontein, City of Cape Town, South Africa. | Vacant land | N/A | Freehold | 37,660 | 694 | 19.01.07# |
| 16 | HS (M) 3647, Mukim of Dengkil, District of Sepang, State of Selangor Darul Ehsan. | Vacant land | N/A | Leasehold 99 years expiring in 2091 | 79,100 | 735 | 25.06.08# |
| 17 | No. Hakmilik Geran 79109, Lot 3223, Mukim of Beranang, District of Ulu Langat, State of Selangor Darul Ehsan. | Factory | 2 years | Freehold | 185,566 | 3,242 | 07.10.10# |
| 18 | HS (D) 367944 PTD 106041, Mukim of Tebrau, District of Johor Bahru, State of Johor Darul Takzim. | Two-storey shop office | 2 years | Freehold | 2,982 | 803 | 17.01.12# |
| 19 | 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 | 2 years | Leasehold 99 years expiring in 2105 | 609 | 316 | 18.10.12# |

# ANALYSIS OF SHAREHOLDINGS
as at 25 April 2014

| | | |
|---|---|---|
| Authorised Share Capital | : | RM300,000,000.00 |
| Issued and Paid-Up Share Capital | : | RM167,117,545.00 |
| Class of Shares | : | Ordinary shares of RM0.50 each |
| Voting Rights | : | One vote per ordinary share |

## DISTRIBUTION OF SHAREHOLDINGS

| Size of Holdings | No. of Shareholders | % | No. of Shares Held | % |
|---|---|---|---|---|
| 1 - 99 | 94 | 1.58 | 4,404 | 0.00 |
| 100 - 1,000 | 725 | 12.19 | 630,193 | 0.19 |
| 1,001 - 10,000 | 3,445 | 57.94 | 17,938,359 | 5.37 |
| 10,001 - 100,000 | 1,411 | 23.73 | 45,881,281 | 13.73 |
| 100,001 - 16,711,703* | 268 | 4.51 | 200,753,519 | 60.06 |
| 16,711,704 and above** | 3 | 0.05 | 69,026,334 | 20.65 |
| *****TOTAL** | 5,946 | 100.00 | 334,234,090 | 100.00 |

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

## SUBSTANTIAL SHAREHOLDERS

| | Direct Shareholdings | | Indirect Shareholdings | |
|---|---|---|---|---|
| **Name** | **No. of Shares Held** | **%** | **No. of Shares Held** | **%** |
| Dato' Sri Chong Ket Pen | 41,074,642 | 12.29 | 30,132,650[(1)] | 9.02 |
| Tey Por Yee | 44,649,015 | 13.36 | 14,500,000[(2)] | 4.34 |

**Note:**

(1) Deemed interested pursuant to Section 6(A) of the Company's Act 1965 by virtue of his shareholdings in Penmacorp Sdn Bhd

(2) Deemed interested pursuant to Section 6(A) of the Company's Act 1965 by virtue of his shareholdings in Kingdom Seekers Ventures Sdn Bhd

# ANALYSIS OF SHAREHOLDINGS
as at 25 April 2014

## DIRECTORS' SHAREHOLDINGS

| | Direct Shareholdings | | Indirect Shareholdings | |
|---|---|---|---|---|
| Name | No. of Shares Held | % | No. of Shares Held | % |
| Tan Sri Datuk Dr Hadenan Bin A Jalil | 120,000 | 0.04 | - | - |
| Dato' Sri Chong Ket Pen | 41,074,642 | 12.29 | 32,039,650[a] | 9.59 |
| Dato' Mohd Hanif Bin Sher Mohamed | 500,000 | 0.15 | - | - |
| Dato' Mohd Ibrahim Bin Mohd Nor | - | - | - | - |
| Tey Por Yee | 44,649,015 | 13.36 | 14,500,000[b] | 4.34 |
| Tan Heng Kui | 5,752,900 | 1.72 | - | - |
| Ooi Kock Aun | 12,492,000 | 3.74 | - | - |
| Tan Yee Boon | 60,000 | 0.02 | - | - |
| Mohamad Farid Bin Mohd Yusof | 100,000 | 0.03 | - | - |

Notes:
[a] by virtue of his interest via his spouse, children and Penmacorp Sdn Bhd
[b] by virtue of his interest in Kingdom Seekers Ventures Sdn Bhd

## DIRECTORS' OPTIONHOLDINGS

| | Direct Optionholdings | | Indirect Optionholdings | |
|---|---|---|---|---|
| Name | No. of Options Held | % | No. of Options Held | % |
| Tan Sri Datuk Dr Hadenan Bin A Jalil | 80,000 | 0.02 | - | - |
| Dato' Sri Chong Ket Pen | - | - | - | - |
| Dato' Mohd Hanif Bin Sher Mohamed | - | - | - | - |
| Dato' Mohd Ibrahim Bin Mohd Nor | - | - | - | - |
| Tey Por Yee | - | - | - | - |
| Tan Heng Kui | - | - | - | - |
| Ooi Kock Aun | - | - | - | - |
| Tan Yee Boon | 40,000 | 0.01 | - | - |
| Mohamad Farid Bin Mohd Yusof | - | - | - | - |

# ANALYSIS OF SHAREHOLDINGS
as at 25 April 2014

## LIST OF TOP 30 SHAREHOLDERS

| No | Name | No. of Shares Held | % |
|---|---|---|---|
| 1 | UOBM NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR PENMACORP SDN BHD (PCB) | 30,132,650 | 9.02 |
| 2 | UOBM NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR CHONG KET PEN (PCB) | 21,393,684 | 6.40 |
| 3 | JF APEX NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR CHONG KET PEN (MARGIN) | 17,500,000 | 5.24 |
| 4 | RHB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TEY POR YEE | 16,588,681 | 4.96 |
| 5 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR KINGDOM SEEKERS VENTURES SDN BHD | 14,500,000 | 4.34 |
| 6 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TEY POR YEE (8109597) | 13,345,000 | 3.99 |
| 7 | HSBC NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSSOCIATION<br>(NORGES BK) | 8,444,380 | 2.53 |
| 8 | RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TEY POR YEE | 7,018,518 | 2.10 |
| 9 | AIBB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR OOI KOCK AUN | 6,000,000 | 1.80 |
| 10 | RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR OOI KOCK AUN | 5,492,000 | 1.64 |
| 11 | FEDERLITE HOLDINGS SDN BHD | 5,410,900 | 1.62 |
| 12 | TAN HENG KUI | 5,100,000 | 1.53 |
| 13 | EVODUS MOBILITY SDN BHD | 3,672,600 | 1.10 |
| 14 | AMANAHRAYA TRUSTEES BERHAD<br>PUBLIC ISLAMIC OPPORTUNITIES FUND | 3,310,000 | 0.99 |
| 15 | LAU YEET MEI | 3,255,543 | 0.97 |
| 16 | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TEY POR YEE | 3,074,074 | 0.92 |
| 17 | AMANAHRAYA TRUSTEES BERHAD<br>PUBLIC STRATEGIC SMALLCAP FUND | 2,926,700 | 0.88 |
| 18 | AMANAHRAYA TRUSTEES BERHAD<br>PUBLIC ISLAMIC SECTOR SELECT FUND | 2,909,400 | 0.87 |
| 19 | JF APEX NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TEY POR YEE (MARGIN) | 2,522,742 | 0.75 |
| 20 | UOBM NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR RENCANA BERKAT SDN BHD (PCB) | 2,500,000 | 0.75 |
| 21 | CARTABAN NOMINEES (TEMPATAN) SDN BHD<br>EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD | 2,362,900 | 0.71 |

# ANALYSIS OF SHAREHOLDINGS
as at 25 April 2014

## LIST OF TOP 30 SHAREHOLDERS (CONT'D)

| No | Name | No. of Shares Held | % |
|---|---|---|---|
| 22 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA) | 2,148,900 | 0.64 |
| 23 | CIMB GROUP NOMINEES (TEMPATAN) SDN BHD<br>CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND | 2,088,200 | 0.62 |
| 24 | UNIVERSAL TRUSTEE (MALAYSIA) BERHAD<br>TA ISLAMIC FUND | 2,000,000 | 0.60 |
| 25 | HSBC NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR THE BANK OF NEW YORK MELLON (MELLON ACCT) | 1,772,400 | 0.53 |
| 26 | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD<br>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS DANA AL-ILHAM | 1,627,100 | 0.49 |
| 27 | HSBC NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR MORGAN STANLEY & CO LLC (CLIENT) | 1,625,300 | 0.49 |
| 28 | AIBB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TEY POR YEE | 1,600,000 | 0.48 |
| 29 | KOON POH MING | 1,500,000 | 0.45 |
| 30 | AMANAHRAYA TRUSTEES BERHAD<br>AMANAH SAHAM BANK SIMPANAN NASIONAL | 1,400,000 | 0.42 |
| | **TOTAL** | **193,221,672** | **57.83** |

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

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Thirteenth 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 Tuesday, 24 June 2014 at 2.30 pm to transact the following businesses:

**AGENDA**

**As Ordinary Business:**

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 and the Reports of Directors and Auditors thereon.

2. To approve the payment of a final single tier dividend of 6 sen per ordinary share for the financial year ended 31 December 2013. **(Ordinary Resolution 1)**

3. To approve the payment of Directors' fee. **(Ordinary Resolution 2)**

4. To re-elect the following Directors retiring in accordance with Article 70 of the Company's Articles of Association:

   (i) Dato' Sri Chong Ket Pen **(Ordinary Resolution 3)**
   (ii) Dato' Mohd Hanif Bin Sher Mohamed **(Ordinary Resolution 4)**

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

   (i) Dato' Mohd Ibrahim Bin Mohd Nor **(Ordinary Resolution 5)**
   (ii) Tey Por Yee **(Ordinary Resolution 6)**

6. To re-appoint Messrs Crowe Horwath as auditors of the Company and authorise the Directors to determine their remuneration. **(Ordinary Resolution 7)**

**As Special Business:**

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

7. **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 8)**

# NOTICE OF ANNUAL GENERAL MEETING

8. **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 percent (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 2013, the audited retained profits and share premium account of the Company stood at RM1.7 million and RM64.4 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 9)**

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

# NOTICE OF ANNUAL GENERAL MEETING

## NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

**NOTICE IS ALSO HEREBY GIVEN THAT** a final single tier dividend of 6 sen per ordinary share for the financial year ended 31 December 2013, if approved by shareholders, will be payable on 11 July 2014 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 27 June 2014. A Depositor shall qualify for entitlement only in respect of:

(a) shares transferred to the Depositor's Securities Account before 4.00 pm on 27 June 2014 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
30 May 2014

**NOTES:**

1. Only members whose names appear on the Record of Depositors as at 13 June 2014 shall be entitled to attend, speak and vote at the Thirteenth Annual General Meeting.

2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak 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 Thirteenth 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. 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.

6. 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.

7. 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 Thirteenth Annual General Meeting or any adjournment thereof.

8. Explanatory notes on Special Business:

   **Ordinary Resolution 8** - The proposed Resolution 8, if passed, will give the Directors of the Company, from the date of the Thirteenth 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, 7,431,380 new shares were issued by the Company pursuant to the authority granted to the Directors at the Twelfth Annual General Meeting held on 27 June 2013 via a private placement on 17 July 2013 and the said authority will lapse at the conclusion of the Thirteenth 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 9** - The proposed Resolution 9, if passed, will empower the Directors of the Company to purchase the Company's shares up to ten percent (10%) of the issued and paid-up share capital of the Company (Proposed Share Buy-Back) by utilising the funds allocated which shall not exceed the total retained earnings and share premium account of the Company. Further information on the Proposed Shares Buy-Back is set out in the Share Buy-Back Statement to Shareholders dated 30 May 2014, which is despatched together with the Company's Annual Report 2013.

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# FORM OF PROXY

**PROTASCO BERHAD**
(548078-H)
(Incorporated in Malaysia)

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 Thirteenth 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 Tuesday, 24 June 2014 at 2.30 pm and at any adjournment thereof.

| NO. | ORDINARY RESOLUTIONS | FOR | AGAINST |
|---|---|---|---|
| 1. | To approve the payment of a final single tier dividend of 6 sen per ordinary share for the financial year ended 31 December 2013 | | |
| 2. | To approve the payment of Directors' fee | | |
| 3. | To re-elect Dato' Sri Chong Ket Pen as Director of the Company | | |
| 4. | To re-elect Dato' Mohd Hanif Bin Sher Mohamed as Director of the Company | | |
| 5. | To re-elect Dato' Mohd Ibrahim Bin Mohd Nor as Director of the Company | | |
| 6. | To re-elect Tey Por Yee as Director of the Company | | |
| 7. | To re-appoint Messrs Crowe Horwath as auditors of the Company and authorise the Directors to determine their remuneration | | |
| 8. | To approve the Authority to Issue Shares | | |
| 9. | To approve the proposed renewal of share buy-back authority | | |

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

Signed this ............................ day of ....................................., 2014

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

________________________________
Signature of Shareholder or Common Seal

**Notes:**

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2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead. A proxy may but need not be a member of the Company.
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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. 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.
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7. 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 Thirteenth 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

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**PROTASCO BERHAD**

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F: 603 8926 4008

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