

Engineering ^{the}
Nation's Progress

PROTASCO BERHAD

PROTASCO BERHAD (548078-H)



PROTASCO BERHAD

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ANNUAL REPORT 2005

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2005

 **PROTASCO BERHAD**
(Company No. 548078-H)

VISION

Engineering Infrastructure Solutions for a Better Quality of Life

CORE VALUES

- ◆ Integrity and Reliability
- ◆ Innovation and Creativity
- ◆ Excellent Customer Service
- ◆ Social Responsibility
- ◆ Human Development

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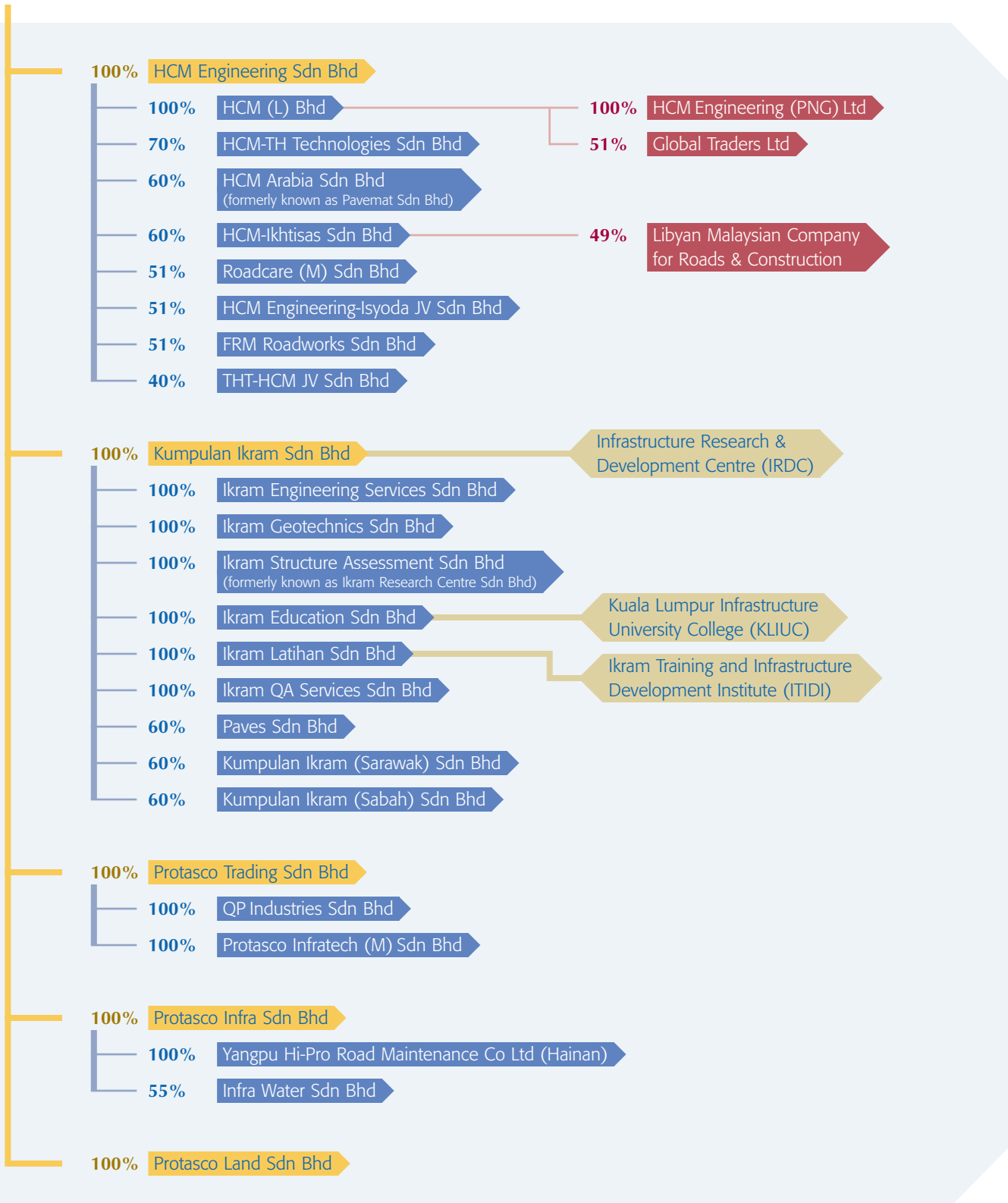


THE INTEGRATED INFRASTRUCTURE SOLUTIONS PROVIDER

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

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

CORPORATE STRUCTURE



CORE BUSINESS DIVISIONS



Road Construction and Maintenance

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



Buildings and Specialised Construction

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



Engineering Services and Consultancy

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



Education & Training

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

Since 1997, more than 35,000 participants, including those from Africa, Asia and South East Asia have benefited from Ikram Training and Infrastructure Development Institute (ITIDI)'s training programmes in more than 1,000 technical and non-technical courses.



Trading of Construction-Related Materials

Our trading arm markets products such as bridge joints and MAXON paving machine as well as our own R&D products, Q-Mix and QS3E emulsion.

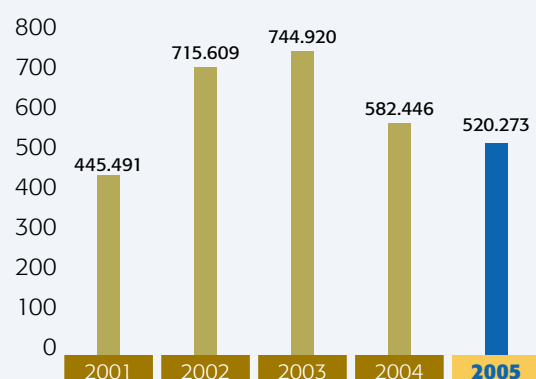
GROUP FINANCIAL HIGHLIGHTS

	YEAR ENDED 31 DECEMBER				
	2001#	2002#	2003*	2004	2005
Turnover (RM'000)	445,491	715,609	744,920	582,446	520,273
Profit After Taxation and Minority Interests (PATAMI) (RM'000)	30,671	43,705	58,753	45,996	41,132
Earnings Per Share (sen)	10.22	14.57	19.58	15.33	13.73
Total Gross Dividends Per Share (sen)	–	–	7.16	8.75	8.75**
Net Assets Per Share (RM)	n/a	0.86	1.06	1.11	1.14

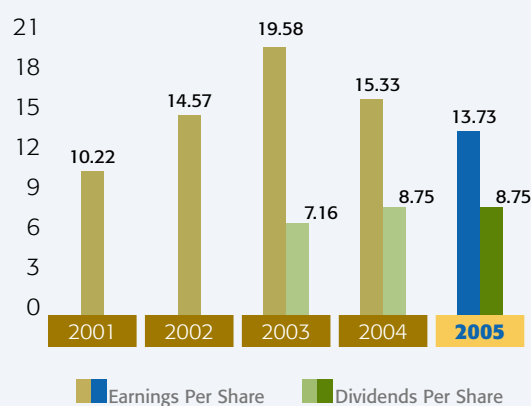
Remarks:

- # Based on proforma consolidated results and balance sheets of Protasco Group as set out in the Prospectus dated 28 June 2003, with the assumption that Protasco Group had been in existence throughout the years under review.
 - * Including pre-acquisition turnover and PATAMI of RM265.104 million and RM16.87 million respectively.
 - ** Including a final dividend in respect of the financial year ended 31 December 2005 of 11.12% less 28% tax (or 4 sen net per share) which will be proposed for shareholders' approval at the forthcoming Annual General Meeting.
- n/a – not applicable

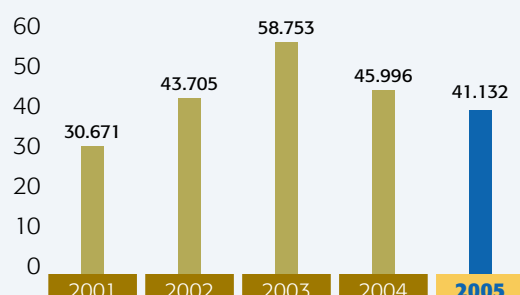
Turnover [RM million]



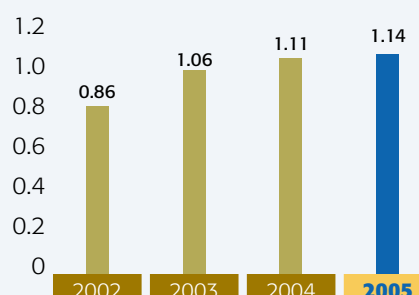
Earnings and Dividends Per Share [sen]



Profit After Taxation and Minority Interests [RM million]



Net Assets Per Share [RM]



BOARD OF DIRECTORS

Dato' Hasnur Rabiain Bin Ismail – Executive Chairman

Dato' Chong Ket Pen – Managing Director

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

Datin Normah Binti Kassim – Independent Non-Executive Director

Benny Soh Seow Leng – Independent Non-Executive Director

Azliza Binti Ahmad Tajuddin – Independent Non-Executive Director

COMPANY SECRETARIES

Khor Hooi Ling (MAICSA 7014879)

Seow Fei San (MAICSA 7009732)

REGISTERED OFFICE

312, 3rd Floor, Block C,
Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7803 1126
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PRINCIPAL OFFICES

Kuala Lumpur

87, Jalan Kampung Pandan
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Kajang

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43000 Kajang
Selangor Darul Ehsan
Tel: 03-8738 3388
Fax: 03-8926 4008

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

REGISTRAR

Symphony Share Registrar Sdn Bhd
Level 26, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel: 03-2721 2222
Fax: 03-2721 2530

PRINCIPAL BANKERS

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

AUDITORS

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

STOCK EXCHANGE LISTING

Main Board
Bursa Malaysia Securities Berhad
Listed since: 8 August 2003
Stock Name: Prtasco
Stock Code: 5070

DIRECTORS' PROFILE

DATO' HASNUR RABIAIN BIN ISMAIL

Executive Chairman

Dato' Hasnur Rabiain Bin Ismail, 49, a Malaysian, is the Executive Chairman of Protasco Berhad. He was appointed to the Board on 15 May 2001. Graduated with a BSc (Hons) degree from the United Kingdom's Middlesex Polytechnic in 1980, the co-founder of Protasco Group obtained his MPhil (Civil Engineering) from the University of Birmingham in 1990. A member of the Malaysian Institute of Engineers since 1993, he became a Professional Engineer registered with the Board of Engineers Malaysia in 1994.

In 1980, he joined Jabatan Kerja Raya (JKR) as Road Design Engineer in Ipoh. He was promoted to Project and Road Engineer with JKR Kuala Kangsar in 1981. Between 1983 and 1984, he underwent on-the-job training with Samsung Construction Company in Korea. He subsequently joined the Design and Research Branch of JKR Headquarters (HQ) as Senior Materials Engineer. In 1988, he was promoted to Senior Engineer, Pavement Unit of the JKR's Institute of Training and Research (IKRAM). He left JKR to set up HCM Engineering Sdn Bhd in 1991.

DATO' CHONG KET PEN

Managing Director

Dato' Chong Ket Pen, 51, a Malaysian, is the Managing Director of Protasco Berhad. He was appointed to the Board on 15 May 2001. He also sits on the Audit Committee of the Board. The co-founder of the Protasco Group graduated with a BEng (Hons) degree from the University of Malaya in 1979. He obtained his MPhil (Civil Engineering) from the University of Birmingham in 1990. A member of the Institute of Engineers Malaysia since 1984, he became a registered Professional Engineer with the Board of Engineers Malaysia in 1985. He has been a member of the United Kingdom's Institution of Civil Engineers and a Chartered Engineer with the United Kingdom's Engineering Council since 1985 and 1987 respectively.

He began his career as Road Design Engineer cum Assistant Project Engineer with JKR Kelantan in 1979. In 1982, he was promoted to Project Engineer and subsequently became Senior Engineer at the JKR HQ's Design and Research Branch. In 1988, he was attached to IKRAM as its Senior Pavement Research Engineer, and later reassigned as Senior Engineer, Pavement Evaluation and Research. He left JKR to set up Paves Sdn Bhd in 1991. As the founding director of KISB in 1997, he was involved in the privatisation of the activities of the former IKRAM.

Notes:

- (i) None of the directors has any family relationship with each other and with any substantial shareholders of the Company.
- (ii) None of the directors has any conviction for offences, other than traffic offences, within the past 10 years.
- (iii) Other than the related party transactions disclosed in Note 32 to the Financial Statements and the Circular to Shareholders dated 23 May 2006, none of the directors has any conflict of interest with the Company.
- (iv) Except for Dato' Hasnur Rabiain Ismail and Dato' Dr Norraesah binti Haji Mohamad who had attended four (4) out of five (5) meetings and three (3) out of five (5) meetings respectively, the other directors had attended all the Board Meetings held during the financial year ended 31 December 2005.
- (v) With the exception of Dato' Dr Norraesah binti Haji Mohamad, none of the directors holds any directorship in other public companies.
- (vi) The directors' holdings in shares of the Company are disclosed in the Analysis of Shareholdings section of the Annual Report. The directors do not hold any shares in the subsidiaries of the Company.

DATIN NORMAH BINTI KASSIM

Independent Non-Executive Director

Datin Normah Binti Kassim, 49, a Malaysian, has been a director of Protasco Berhad since 29 April 2002. She is the Chairperson of the Audit Committee and also sits on the Nomination Committee and Remuneration Committee of the Board. She is an Associate Member of both the Institute of Chartered Secretaries and Administrators, UK and the Malaysian Association of the Institute of Chartered Secretaries and Administrators.

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

BENNY SOH SEOW LENG

Independent Non-Executive Director

Benny Soh Seow Leng, 35, a Malaysian, was appointed as a director of Protasco Berhad on 29 April 2002. He is the Chairman of the Nomination Committee and also sits on the Remuneration Committee of the Board. A practising Advocate and Solicitor and a Member of the Malaysian Bar, he became a partner at Manjit Singh Sachdev, Mohammad Radzi & Partners in 1998. The firm specialises in corporate, litigation and consultancy work.

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

AZLIZA BINTI AHMAD TAJUDDIN

Independent Non-Executive Director

Azliza Binti Ahmad Tajuddin, 39, a Malaysian, became a director of Protasco Berhad on 1 May 2003. She is the Chairperson of the Remuneration Committee and also sits on the Audit Committee and Nomination Committee of the Board. A Bachelor of Commerce (Accounting) graduate from Australian National University, she began her career as an auditor at Coopers & Lybrand in 1990.

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

DATO' DR NORRAESAH BINTI HAJI MOHAMAD

Independent Non-Executive Director

Dato' Dr Norraesah Binti Haji Mohamad, a Malaysian, 58, was appointed as Protasco's Independent Non-Executive Director on 18 January 2005. She is a doctorate degree holder in Economics Science (International Economics and Finance) from University of Paris-Pantheon Sorbonne, France. She has over 30 years of experience in banking, consultancy and international trade and commerce.

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

Dato' Dr Norraesah is currently the Chairman of Penang Bridge Sdn Bhd. Her other directorships include Siah Brothers Corporation Bhd, KESM Industries Bhd, Malaysian Oxygen Berhad, Ya Horng Electronics (M) Bhd, Adventa Bhd and several other private limited companies in Malaysia.

EXECUTIVE CHAIRMAN'S STATEMENT

Although the year under review was another challenging year for the construction sector, we had weathered it reasonably well. With stronger exports, an upturn in the global semiconductor industry and higher commodity prices, Bank Negara Malaysia predicts a more optimistic balanced and broad-based economic growth to strengthen to 6.0% in 2006 from 5.3% in 2005.

Indeed the Ninth Malaysia Plan, 2006 – 2010 (9MP), which offers a much needed boost to the economy, also forecasts the same growth rate as Bank Negara Malaysia. Interestingly the Government itself has pledged a commitment to achieve an average annual GDP growth of 6.0% until 2010. While the Government's growth target is still higher than the achieved 4.5% in the Eighth Malaysia Plan, 2001 – 2005 (8MP), it matches the long-term growth rate of 6.5% since the country's independence in 1957.

Bank Negara Malaysia expects the construction sector to start recovering and grow at 1.0% in 2006 after recording negative growth for two straight years, including a contraction of 1.6% for 2005. This optimism stems from improved civil engineering sector and expected new public infrastructure projects envisaged in the 9MP.

As announced by the Government, during the 9MP, the construction sector is projected to grow around 3.5% per annum due to a pick up in the civil engineering works.

The development allocation under the 9MP stands at RM200 billion, a 17.6% increase from the previous Plan. This excludes another RM20 billion worth of privately funded BOT projects. The combined allocation of RM46.8 billion for infrastructure and utilities, or 23.4% of the RM200 billion total allocation, is higher than RM38.7 billion, or 22.8% of the total in the 8MP.

Meanwhile, among the individual sub-sectors, the transportation sector has been allocated RM31.9 billion, the second largest share or 15.9% of total allocation, after education & training (RM41.1 billion or 20.6% of the total).

All things considered, the 9MP should have a positive impact on the construction sector.

FINANCIAL PERFORMANCE

Despite the overall downturn in the construction industry in the year under review, we have managed to achieve a net profit of RM41.1 million, a decrease of 10.7% compared with RM46.0 million previously. This was primarily due to lower contribution from the construction division. Revenue was lower due partly to deferment of Government spending to 2006. We were also affected by the price hike of construction materials such as bitumen and steel bars.

The decline in the performance of the construction division was offset to a certain extent by better results from engineering, education and training divisions.

REVIEW OF OPERATIONS

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

We are thankful that our two long-term concessions to maintain roads for the Federal government, and a long-term engineering services concession provide steady recurring income and cash flows to cushion us against sluggish construction demand. The three long-term 15-year concessions are:

- Federal road maintenance concession up to February 2016 of about 6,200 km of roads in Selangor, Pahang, Terengganu and Kelantan which involves routine maintenance, periodic maintenance and emergency works. It is undertaken by our 51%-owned subsidiary, Roadcare (M) Sdn Bhd.
- Federal road maintenance concession up to September 2018 of about 420 km of roads in Sibul, Bintulu and Mukah in Sarawak. Undertaken by our wholly-owned subsidiary, HCM Engineering Sdn Bhd, it also involves routine maintenance, periodic maintenance and emergency works.
- A RM348.3 million fee-based engineering services concession up to December 2011. Undertaken by our wholly-owned subsidiary, Kumpulan Ikram Sdn Bhd (KISB), the concession is for the provision of a range of services including geotechnical, structural and material testing, site investigation and soil testing, pavement evaluation, training and research & development activities to the Government. KISB also provides tertiary education via Kuala Lumpur Infrastructure University College (KLIUC).

On the whole, the above made a fairly significant contribution of about two-thirds to the Group profit in 2005.

Other than concessions, ongoing major road projects being undertaken include:

	Amount (RM Million)
■ Design, construct, rehabilitate and upgrade Muar – Melaka – Alor Gajah – Simpang Ampat road	353.9
■ Ciku – Aring, Kelantan new road	117.0
■ Maintenance of Ras Jedeir – El Gharaboulli coastal road in Libya	106.4

EXECUTIVE CHAIRMAN'S STATEMENT

OUR PEOPLE

One of the key challenges in meeting the 6% growth target under the 9MP lies in transforming the economy in terms of improving efficiency, productivity and human capital development. In order for the country to move closer towards a knowledge-based economy, skills upgrading, technological development and organisational streamlining will underpin economic transformation.

Likewise, Protasco Berhad seeks to engineer appropriate infrastructure solutions which contribute towards a better quality of life. To support our Vision Statement **"Engineering Infrastructure Solutions for a Better Quality of Life"**, we are guided by a set of core values, namely Integrity & Reliability, Innovation & Creativity, Excellent Customer Service, Social Responsibility and Human Development.

As we continuously strive to build our capability via internal strengthening and undertake a number of concerted human capital development initiatives, we were delighted with HCM Engineering Sdn Bhd's Practice of Knowledge Management's team which bagged the national level champion in the inaugural Malaysian Emerging Knowledge Organisation Award at the end of the year under review. It is a tangible recognition and reflection that amid stiff competition, Protasco Berhad and the companies under its stable have dependable K-workers who are prepared to give their best. Going forward, we are committed to constantly recondition the staff in line with Protasco's drive to be relevant both for the domestic and overseas markets.

DIVIDENDS

For the financial year ended 31 December 2005, the Company had paid an interim dividend of 6.39% less 28% taxation or a net dividend of 2.3 sen per share on 10 January 2006. Subject to shareholders' approval at the forthcoming Annual General Meeting, the directors are recommending a final dividend of 11.12%, less 28% taxation or a net dividend of 4 sen per share. This maintains the total gross dividend for the year under review at 8.75 sen per share, i.e. the same as in the previous year.

OUTLOOK

In line with the growth forecast and allocation under the recently-unveiled 9MP, we are presented with several interesting opportunities which fall within our core business. Additionally, we believe we should also begin to see better results from our overseas ventures this year.

APPRECIATION

Notwithstanding the sectoral difficulties we are facing, we would like to express our gratitude to all stakeholders who have stood by us.

Accordingly, we look forward to enhancing our relationships further in the next phase of the Group's development.

To the various authorities, Thank You for the invaluable guidance in the conduct of our business activities. To our dear clients, bankers, shareholders, fellow Board members, management, staff and business associates, Thank You for your continuing support!

Dato' Hasnur Rabiain Ismail

Executive Chairman

APRIL

ILSB and CPG Collaborative Training Efforts

Ikram Latihan Sdn Bhd (ILSB) signed a Memorandum of Understanding (MOU) with CPG Laboratories Pte Ltd (CPG) to undertake joint marketing, share market information on potential programs and courses, and collaborate on marketing materials. CPG, a company incorporated in Singapore, has expertise in providing high-end training programs for the construction industry. CPG is set to work together with ILSB in conducting programs and courses in Malaysia as well as overseas.



in Engineering with a specialization in Pavement Engineering. They will have the option to do their research or part of their modules at the other two participating institutions.



JUNE

The Launch of Maxon Paving Machine

Protasco Berhad launched the multipurpose MAXON Paving Machine to the Malaysian market. The event was officiated by YB Dato' Mah Siew Keong, the then Deputy Minister of International Trade and Industries. China's Commercial Trade Counselor, Mr Zhang Ying Wen was also present. Protasco Trading Sdn Bhd, a subsidiary of Protasco Berhad was granted the sole and exclusive rights to purchase for resale road related machinery and products from the manufacturer, Chengdu Xinzhu Road And Bridge Machinery Co Ltd, in five ASEAN countries, Papua New Guinea and East Timor.



International Partnering with Libya

Protasco Berhad cemented its tie with its Libyan partner, The General National Company for Roads (GNCR) when Ikram Structure Assessment Sdn Bhd was awarded a pavement evaluation work in Libya. Valued at RM2.2 million, the job is for the Detailed Pavement Evaluation and Rehabilitation Design in respect of the maintenance of a 238km Ras Jedeir-El Gharaboulli Coastal Road. The award of the job was signified through a presentation of a Letter of Award by GNCR's President, Ir Ahmed Tayeb Awedat to YBhg Tan Sri Dato' Othman bin Mohd Rijal, Chairman of Kumpulan Ikram Sdn Bhd on 28 June 2005. The presentation was witnessed by YB Dato' Mah Siew Keong, the then Deputy Minister of International Trade and Industries and Dr Ahmad Hanish, the Libyan Ambassador to Malaysia.



MOU between KLIUC and Stellenbosch University

Kuala Lumpur Infrastructure University College (KLIUC) entered into a tripartite Memorandum of Understanding with The Department of Civil Engineering of Stellenbosch University, South Africa and the Division of Road and Railway Engineering of Delft University of Technology, South Africa. The signing ceremony was held in Stellenbosch University, South Africa. Under the MOU, aspiring students will be able to sign up with any of the three institutions for a Masters Degree

JULY

IKRAM Appointed for Consultancy Works

Kumpulan Ikram Sdn Bhd was appointed as a consultant by the Malaysian Institute for Nuclear Technology Research (MINT) to conduct civil engineering consultancy works in relation to auditing decontamination of radioactive waste, decommissioning of its facilities and construction of repositories in Perak. The appointment will see Ikram through its Infrastructure Research and Development Centre assisting MINT in the audit to ensure geotechnical works are conducted according to the technical specifications and engineering procedures.



OCTOBER

Duit Raya, School Bag and Hamper Donation to Orphans

In conjunction with the Muslim holy month of Ramadhan, Roadcare (M) Sdn Bhd treated 50 orphans from the Darul Kifayah Orphanage, Jalan Ipoh to a 'berbuka puasa feast' at its Selangor regional office. Each of the children received a money packet, school bag and hamper.

Protasco Berhad Buka Puasa Treat

As a treat to the staff of Protasco Berhad and students of KLIUC, a 'Majlis Berbuka Puasa' was held at Ikram Park. The event was hosted by the Executive Chairman of Protasco Berhad, YBhg Dato' Hasnur Rabiain Ismail and wife, YBhg Datin Kamisah Abdul Samad. With about 900 guests, it was one of the largest gatherings for Protasco Berhad.



NOVEMBER

FR5's Closing of Office

The Federal Road 5 (FR5) project office in Shah Alam was officially closed. The closing of the office follows the successful completion of the rehabilitation and upgrading of FR5 Kapar-Sabak Bernam and Klang-Banting road project.

DECEMBER

Protasco Gets RM119m Libyan Projects

Protasco Berhad, through its overseas associated company, Libyan Malaysian Company for Roads & Construction, was awarded two projects valued at about RM119 million in Libya. One of the projects involved maintenance of the 238km coastal road from El Gharaboulli to Ras Jedeir for three years, beginning December 2005. The second project, valued at RM9.2 million, is to design and rehabilitate six bridges at the Sirt municipality in Libya. The contract is for one year.

HCM Engineering Voted No 1 at Malaysian Emerging Knowledge Organisation (MEKO) Award 2005

HCM Engineering Sdn Bhd, a subsidiary of Protasco Bhd, was voted as the first winner in the maiden Malaysian Emerging Knowledge Management (MEKO) award. The MEKO Award was a day-long affair where six shortlisted companies had to present their respective Practice Of Knowledge Management (POKM) journeys based on ten criteria, challenged the practices of the competing companies and defended their own practices before 136 participants and delegates attending the Practice of Knowledge Management Conference 2005. The company officially began its POKM journey on 31 October 2002.



Protasco Berhad Received the SMB Achievers Award in the SMB Recognition Award Series 2005

Protasco Berhad received the SMB Achievers Award from the SMI Association of Malaysia during the SMB Recognition Award Series 2005 Grand Dinner & Award Presentation Night. The qualifying factors for the award include that the companies have secured a public listing on Bursa Malaysia Securities Berhad during the past five years and have continued to perform well financially. These companies reflect the achievements of its founders and serve as an example of entrepreneurship, perseverance and hard work.

3rd KLIUC Convocation

576 graduates received their degrees, diplomas and certificates from YBhg Tan Sri Dato' Dr. Abdul Hamid bin Othman, Chairman of KLIUC Board of Governors at the 5th convocation of KLIUC.



MEMBERSHIP AND MEETINGS

The Audit Committee comprises three (3) members as follows:

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

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

Dato' Chong Ket Pen – Member (Managing Director)

The Audit Committee held five (5) meetings during the financial year ended 31 December 2005, which were attended by all the members.

SUMMARY OF ACTIVITIES

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

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

INTERNAL AUDIT FUNCTION

The Group has an Internal Audit Department, which reports to the Audit Committee and assists the Board in monitoring and managing risks and internal controls.

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

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

For the year ended 31 December 2005, a number of issues had been raised during the audit process but none had significant impact on the Group. All the issues highlighted had been addressed accordingly.

TERMS OF REFERENCE

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

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

AUDIT COMMITTEE CHARTER

1. Composition

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

2. Authority

The Audit Committee shall:

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

3. Responsibility

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

4. Meetings

4.1 Frequency

The Audit Committee is to meet at least four (4) times per year.

4.2 Quorum and Attendance

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

4.3 Secretary

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

4.4 Minutes

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

4.5 Specific Duties

The Audit Committee is to:

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

4.6 Audit Committee Report

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

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

5. Review of the Audit Committee

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

STATEMENT ON CORPORATE GOVERNANCE

COMPLIANCE WITH THE CODE

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

BOARD OF DIRECTORS

The Board

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

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

Composition of the Board and Board Balance

Currently the Board has six (6) members comprising the Executive Chairman, Managing Director and four (4) Independent Non-Executive Directors.

There is balance in the Board with the presence of four (4) Independent Non-Executive Directors who have the necessary skills and experience. Please refer to their profiles on page 6 and 7 of this Annual Report. All the independent directors are free from any business or other relationship which could materially interfere with the exercise of their independent judgment.

Training

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

Board Meeting

During the year under review, five Board Meetings were held. Except for Dato' Hasnur Rabiain Ismail and Dato' Dr Norraesah binti Haji Mohamad who had attended four (4) out of five (5) meetings and three (3) out of five (5) meetings respectively, the other directors had attended all the Board Meetings held.

Supply of and Access to Information and Advice

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

Appointments & Re-election of Directors

The number of Independent Non-Executive Directors remained at four (4).

In accordance with the Company's Articles of Association, at each Annual General Meeting, one-third of Directors or if their number is not three (3) or a multiple of three (3), the number nearest to one-third, shall retire from office, provided that all Directors shall retire from office at least once in three (3) years, but shall be eligible for re-election by the shareholders and the Directors to retire shall be those who have been longest in office since their last re-election or appointment.

Directors' Remuneration

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

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

During the year ended 31 December 2005, the aggregate remuneration of the Company's Directors was as follows:

	RM
Executive	1,585,920
Non-Executive	62,200

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

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
RM750,000 – RM850,000	2	–
Below RM25,000	–	4

REACHING OUT TO SHAREHOLDERS AND INVESTORS

Investor and Media Relations

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

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

Contact person:

Marina Jaal, Senior Manager, Corporate Communications

Tel: 03-8738 3282 Fax: 03-8926 4008 Email: marina@protasco.com.my

The Annual General Meeting (AGM)

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

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

ACCOUNTABILITY & AUDIT

Financial Reporting

The Directors are required by the Companies Act, 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group. The Directors consider the presentation of the financial statements and ensure that the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates. The Audit Committee assists the Board by scrutinising the information to be disclosed to ensure accuracy and adequacy. The Group's financial statements are presented on pages 32 to 62 of this Annual Report.

Relationship with the Auditors

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

Internal Control

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

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

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

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

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

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

GOING CONCERN STATEMENT

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

STATEMENT ON INTERNAL CONTROL

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

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

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

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

OTHER COMPLIANCE INFORMATION

1. SHARE BUY-BACK

The Company had at its Fourth Annual General Meeting held on 30 May 2005 obtained approval of the shareholders in relation to the Share Buy-Back authority, whereby the Directors are authorised to purchase and/or hold at any point in time up to ten per cent (10%) of the issued and paid-up share capital of the Company for the time being quoted on the Bursa Malaysia Securities Berhad.

For the financial year ended 31 December 2005, the Company purchased a total of 530,000 shares, all of which are retained as treasury shares. None of the shares purchased has been sold or cancelled. Details of the shares repurchased are set out below:

Monthly Breakdown	No. of Ordinary Shares	Buy-Back Price Per Share (RM)		Average Cost	Total Cost RM
		Lowest	Highest	Per Share RM	
September	200,000	0.745	0.850	0.823	164,517
October	40,000	0.730	0.745	0.738	29,500
November	290,000	0.655	0.745	0.696	201,961
TOTAL	530,000				395,978

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

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

3. IMPOSITION OF SANCTIONS AND/OR PENALTIES

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

4. NON-AUDIT FEES

The amount of non-audit fees paid to the external auditors by the Group for the financial year ended 31 December 2005 amounted to RM39,860.

5. VARIATION IN RESULTS FOR THE FINANCIAL YEAR

There was no deviation of 10% or more between the profit after tax and minority interests (PATAMI) stated in the announced unaudited results and the audited accounts of the Group for the financial year ended 31 December 2005.

6. PROFIT GUARANTEES

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

7. MATERIAL CONTRACTS

Other than as disclosed in the Note 32 of the Financial Statements and the Circular to Shareholders dated 23 May 2006, there were no material contracts entered into by the Company or its subsidiaries involving Directors' and major shareholders' interests since the end of previous financial year.

8. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants or convertible securities during the financial year ended 31 December 2005.

9. REVALUATION POLICY OF LANDED PROPERTIES

Protasco Group does not adopt a policy of regular revaluation.

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

The Company will be seeking a mandate from the shareholders to enter into recurrent related party transactions of revenue or trading nature at the forthcoming AGM of the Company. Details of the Recurrent Related Party Transactions are set out below and in the Circular to Shareholders dated 23 May 2006.

Transaction Parties	Relationship	Nature of Transactions	Name of Companies	Amount Transacted during the Financial Year (RM'000)
Soil Centralab Sdn Bhd	Soil Centralab Sdn Bhd is a subsidiary of Projek Penyelenggaraan Lebuhraya Berhad ("PROPEL"), a major shareholder of Paves Sdn Bhd	Provision of infrastructure design and structural consultancy services	Ikram Structure Assessment Sdn Bhd	106
C&H Engineering Consultants Sdn Bhd	Both Dato' Hasnur Rabiain Ismail and Dato' Chong Ket Pen are directors and major shareholders of C&H Engineering Consultants Sdn Bhd	Provision of infrastructure design and structural consultancy services	Ikram Structure Assessment Sdn Bhd	139
C&H Engineering Consultants Sdn Bhd	Both Dato' Hasnur Rabiain Ismail and Dato' Chong Ket Pen are directors and major shareholders of C&H Engineering Consultants Sdn Bhd	Receipt of consultancy services	Ikram Education Sdn Bhd	100
Soil Centralab Sdn Bhd	Soil Centralab Sdn Bhd is a subsidiary of PROPEL, a major shareholder of Paves Sdn Bhd	Receipt of field testing services for site investigation	Ikram Engineering Services Sdn Bhd	24
C&H Engineering Consultants Sdn Bhd	Both Dato' Hasnur Rabiain Ismail and Dato' Chong Ket Pen are directors and major shareholders of C&H Engineering Consultants Sdn Bhd	Provision of site investigation and other related services	Ikram Engineering Services Sdn Bhd	296
C&H Engineering Consultants Sdn Bhd	Both Dato' Hasnur Rabiain Ismail and Dato' Chong Ket Pen are directors and major shareholders of C&H Engineering Consultants Sdn Bhd	Provision of staff training	Ikram Latihan Sdn Bhd	11
Soil Centralab Sdn Bhd	Soil Centralab Sdn Bhd is a subsidiary of PROPEL, a major shareholder of Paves Sdn Bhd	Provision of pavement and structural evaluation services	Paves Sdn Bhd	85
C&H Engineering Consultants Sdn Bhd	Both Dato' Hasnur Rabiain Ismail and Dato' Chong Ket Pen are directors and major shareholders of C&H Engineering Consultants Sdn Bhd	Provision of pavement and structural evaluation services	Kumpulan Ikram (Sarawak) Sdn Bhd	79

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

Transaction Parties	Relationship	Nature of Transactions	Name of Companies	Amount Transacted during the Financial Year (RM'000)
Lee Lai Yin	Lee Lai Yin is the spouse of Tan Heng Kui, a director of Kumpulan Ikram (Sabah) Sdn Bhd	Rental of office	Kumpulan Ikram (Sabah) Sdn Bhd	36
Perunding Pertama	Tan Heng Kui, who is a director of Kumpulan Ikram (Sabah) Sdn Bhd, is also a principal of Perunding Pertama	Provision of site investigation and other related services	Kumpulan Ikram (Sabah) Sdn Bhd	110
PROPEL	PROPEL is a major shareholder of Paves Sdn Bhd	Provision of road construction works	HCM Engineering Sdn Bhd	2,381
PROPEL	PROPEL is a major shareholder of Paves Sdn Bhd	Sub-contracting of road construction works	HCM Engineering Sdn Bhd	983
C&H Engineering Consultants Sdn Bhd	Both Dato' Hasnur Rabiain Ismail and Dato' Chong Ket Pen are directors and major shareholders of C&H Engineering Consultants Sdn Bhd	Receipt of consultancy services for road construction	HCM Engineering Sdn Bhd	2,638
TH Technologies Sdn Bhd	TH Technologies Sdn Bhd is a major shareholder of Roadcare (M) Sdn Bhd	Sub-contracting of road construction works	HCM-TH Technologies Sdn Bhd	26,539
Muhibbah Engineering (M) Bhd	Muhibbah Engineering (M) Bhd is a major shareholder of Roadcare (M) Sdn Bhd	Sales of Goods	Protasco Trading Sdn Bhd	31
TH Technologies Sdn Bhd	TH Technologies Sdn Bhd is a major shareholder of Roadcare (M) Sdn Bhd	Sales of Goods	Protasco Trading Sdn Bhd	139
Manjit Singh Sachdev, Mohammad Radzi & Partners	Benny Soh Seow Leng is a partner of Manjit Singh Sachdev, Mohammad Radzi & Partners	Receipt of legal advisory	HCM Engineering Sdn Bhd	66



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DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding.

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

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

RESULTS

	Group	Company
	RM'000	RM'000
Profit after taxation	57,531	19,400
Minority interests	(16,399)	-
Net profit for the year	41,132	19,400

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

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

DIVIDENDS

The amount of dividends declared by the Company since 31 December 2004 were as follows:

	RM'000
In respect of the financial year ended 31 December 2004 as reported in the directors' report of that year:	
Final dividend of 11.12% less 28% taxation, declared on 30 May 2005 and paid on 15 June 2005	12,010
In respect of the financial year ended 31 December 2005:	
First interim dividend of 6.39% less 28% taxation, declared on 18 November 2005 and paid on 10 January 2006	6,887

At the forthcoming Annual General Meeting, the directors recommend a final dividend in respect of the financial year ended 31 December 2005, of 11.12% less 28% taxation, amounting to a dividend payable of approximately RM11,978,800 (4 sen net per share) computed based on the issued and paid-up capital as at 31 December 2005 of 299,470,000 ordinary shares of RM0.50 each to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2006.

DIRECTORS

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

Dato' Hasnur Rabiain bin Ismail

Dato' Chong Ket Pen

Datin Normah binti Kassim

Benny Soh Seow Leng

Azliza binti Ahmad Tajuddin

Dato' Dr. Norraesah binti Hj. Mohamad

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS

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

The Company	Number of Ordinary Shares of RM0.50 each			
	1.1.2005	Bought	Sold	31.12.2005
Direct Interest				
Dato' Hasnur Rabiain bin Ismail	38,929,144	135,049	–	39,064,193
Dato' Chong Ket Pen	16,229,074	23,374,119	–	39,603,193
Datin Normah binti Kassim	90,000	–	–	90,000
Benny Soh Seow Leng	170,000	–	–	170,000
Azliza binti Ahmad Tajuddin	149,500	–	–	149,500
Indirect Interest				
Dato' Hasnur Rabiain bin Ismail	128,891,426	–	(76,689,706)	52,201,720
Dato' Chong Ket Pen	107,833,898	–	(84,869,824)	22,964,074

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

TREASURY SHARES

During the year, the Company repurchased 530,000 of its issued shares capital from the open market at an average price of RM0.75 per share. The total consideration paid for the repurchase including transaction costs was RM399,000. The shares repurchased are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

As at 31 December 2005, the Company held as treasury shares a total of 530,000 of its 300,000,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM399,000 and further relevant details are disclosed in Note 26 to the financial statements.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year other than as disclosed in Note 31 to the financial statements.
- (f) In the opinion of the directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

OTHER SIGNIFICANT EVENTS

- (a) On 28 June 2005, the Company acquired 100% equity interest of Protasco Infra Sdn Bhd, a company incorporated in Malaysia for a cash consideration of RM2 and on the same date increased its investment in Protasco Infra Sdn Bhd to RM100.
- (b) On 1 August 2005, HCM-Ikhtisas Sdn Bhd, a subsidiary of HCM Engineering Sdn Bhd acquired 49% equity interest in Libyan Malaysian Company for Roads and Construction, a newly incorporated company in Libya for a cash consideration of Libyan Dinar 147,000 (RM463,445).
- (c) On 11 August 2005, HCM Engineering Sdn Bhd, a wholly owned subsidiary, subscribed 100% equity interest in HCM (L) Bhd, a newly incorporated company in the Federal Territory of Labuan for a cash consideration of USD1.00 (RM3.80).
- (d) On 10 August 2005, Protasco Infra Sdn Bhd subscribed 100% equity interest in Yangpu Hi-Pro Road Maintenance Co Ltd, a newly incorporated company in China. The registered capital of the company is USD 2.1 million which is payable within one year. Subsequent to this date, Protasco Infra Sdn Bhd made payments for the capital on the following dates:

Payment Date	Amount
26 October 2005	USD13,586 (RM51,627)
21 November 2005	USD10,577 (RM40,193)
2 December 2005	USD291,965 (RM1,109,467)

OTHER SIGNIFICANT EVENTS (CONTINUED)

- (e) On 16 August 2005, HCM (L) Bhd, a wholly owned subsidiary of HCM Engineering Sdn Bhd, subscribed 51% equity interest in Global Traders Ltd, a newly incorporated company in the Federal Territory of Labuan for a cash consideration of USD51 (RM194).
- (f) On 21 September 2005, Protasco Trading Sdn Bhd, a wholly owned subsidiary, further increased its investment in Protasco Infratech (M) Sdn Bhd with the acquisition of the remaining 30% equity interest comprising 30,000 ordinary shares of RM1.00 for a cash consideration of RM1.00.
- (g) On 30 December 2005, HCM Engineering Sdn Bhd, a wholly owned subsidiary, further increased its investment in HCM Engineering (PNG) Ltd to PNG Kina 1,799,000 (RM2,356,690). The equity interest in the subsidiary remains at 100%.

SUBSEQUENT EVENTS

- (a) On 6 January 2006, Kumpulan Ikram (Sabah) Sdn Bhd, a subsidiary of Kumpulan Ikram Sdn Bhd acquired 20% equity interest in Infra Water Sdn Bhd, comprising of 20,000 ordinary shares of RM1.00 for cash consideration of RM20,000. On the same date, Protasco Infra Sdn Bhd, a wholly owned subsidiary, acquired 55% equity interest in Infra Water Sdn Bhd, comprising of 55,000 ordinary shares of RM1.00 for cash consideration of RM55,000. As a result of these acquisitions, the Company has an effective equity interest of 67% in Infra Water Sdn Bhd.
- (b) On 6 January 2006, HCM-Ikhtisas Sdn Bhd further increased its investment in Libyan Malaysian Company for Roads and Construction to Libyan Dinar 490,000 (RM1,442,825). The equity interest in the company remains at 49%.
- (c) On 12 January 2006, Ikram Research Center Sdn Bhd, a wholly owned subsidiary of Kumpulan Ikram Sdn Bhd, changed its name to Ikram Structure Assessment Sdn Bhd.
- (d) On 14 April 2006, HCM Engineering Sdn Bhd, a wholly owned subsidiary, acquired 66.67% equity interest in Pavemat Sdn Bhd, a company incorporated in Malaysia for cash consideration of RM2.

AUDITORS

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

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

Dato' Hasnur Rabiain bin Ismail

Dato' Chong Ket Pen

Kuala Lumpur, Malaysia
26 April 2006

STATEMENT BY DIRECTORS

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

We, Dato' Hasnur Rabiain bin Ismail and Dato' Chong Ket Pen, being two of the directors of Protasco Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 32 to 62 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

Dato' Hasnur Rabiain bin Ismail

Dato' Chong Ket Pen

Kuala Lumpur, Malaysia
26 April 2006

STATUTORY DECLARATION

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

I, Sofia binti Zakaria, being the Officer primarily responsible for the financial management of Protasco Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 32 to 62 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Sofia binti Zakaria
at Kuala Lumpur in the Federal Territory
on 26 April 2006

Sofia binti Zakaria

Before me,

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

REPORT OF THE AUDITORS TO THE MEMBERS OF PROTASCO BERHAD

We have audited the financial statements set out on pages 32 to 62. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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

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

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

Ernst & Young

AF: 0039
Chartered Accountants

Lee Seng Huat

No. 2518/12/07 (J)
Partner

Kuala Lumpur, Malaysia
26 April 2006

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue	3	520,273	582,446	30,028	12,361
Cost of sales	4	(371,801)	(428,578)	-	-
Gross profit		148,472	153,868	30,028	12,361
Other operating income		16,761	18,860	90	108
Administrative expenses		(64,135)	(50,116)	(2,926)	(2,688)
Selling and marketing expenses		(168)	(44)	-	-
Other operating expenses		(19,742)	(34,277)	-	-
Profit from operations	5	81,188	88,291	27,192	9,781
Finance costs	8	(445)	(764)	-	-
Share of results of associated companies		(864)	344	-	-
Profit before taxation		79,879	87,871	27,192	9,781
Taxation	9	(22,348)	(24,619)	(7,792)	(2,790)
Profit after taxation		57,531	63,252	19,400	6,991
Minority interests		(16,399)	(17,256)	-	-
Profit for the year		41,132	45,996	19,400	6,991
Earnings per share (Sen)					
- Basic	10	13.7	15.3		
Dividends per share (Sen)					
- First interim and final	11	6.30	5.90	6.30	5.90

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

BALANCE SHEETS

AS AT 31 DECEMBER 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	174,700	181,989	-	-
Investment in subsidiaries	13	-	-	129,179	131,798
Investment in associated companies	14	2,039	1,763	-	-
Other investment	15	330	367	-	-
		177,069	184,119	129,179	131,798
CURRENT ASSETS					
Inventories	16	724	309	-	-
Trade receivables	17	183,925	188,725	-	-
Other receivables	18	4,481	4,090	60,045	64,797
Tax recoverable		3,738	2,908	81	81
Other investment	19	13,168	12,506	-	-
Cash and bank balances	21	113,254	135,848	11,452	4,268
		319,290	344,386	71,578	69,146
CURRENT LIABILITIES					
Trade payables	22	112,711	154,416	-	-
Other payables	23	20,021	17,636	10	285
Borrowings	24	3,566	3,468	-	-
Dividends payable		6,887	6,900	6,887	6,900
Taxation		4,489	4,254	-	4
		147,674	186,674	6,897	7,189
NET CURRENT ASSETS					
		171,616	157,712	64,681	61,957
		348,685	341,831	193,860	193,755
FINANCED BY:					
Share capital	26	150,000	150,000	150,000	150,000
Treasury shares	26	(399)	-	(399)	-
Share premium		43,531	43,531	43,531	43,531
Foreign exchange reserve		61	-	-	-
Retained profits	27	85,930	63,694	728	224
		279,123	257,225	193,860	193,755
Minority interests		30,752	31,933	-	-
Reserve on consolidation	28	30,266	42,790	-	-
Deferred tax liabilities	29	8,064	7,529	-	-
Borrowings	24	480	2,354	-	-
		348,685	341,831	193,860	193,755

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005

	Non-Distributable			Distributable		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Foreign Exchange Reserve RM'000	Retained Profit RM'000	
Group						
At 1 January 2004	150,000	43,531	–	–	35,398	228,929
Profit for the year	–	–	–	–	45,996	45,996
Dividends (Note 11)	–	–	–	–	(17,700)	(17,700)
At 31 December 2004	150,000	43,531	–	–	63,694	257,225
At 1 January 2005	150,000	43,531	–	–	63,694	257,225
Foreign exchange differences, representing net gain not recognised in income statement	–	–	–	61	–	61
Profit for the year	–	–	–	–	41,132	41,132
Share buy back	–	–	(399)	–	–	(399)
Dividends (Note 11)	–	–	–	–	(18,896)	(18,896)
At 31 December 2005	150,000	43,531	(399)	61	85,930	279,123
Company						
At 1 January 2004	150,000	43,531	–	–	10,933	204,464
Profit for the year	–	–	–	–	6,991	6,991
Dividends (Note 11)	–	–	–	–	(17,700)	(17,700)
At 31 December 2004	150,000	43,531	–	–	224	193,755
At 1 January 2005	150,000	43,531	–	–	224	193,755
Profit for the year	–	–	–	–	19,400	19,400
Share buy back	–	–	(399)	–	–	(399)
Dividends (Note 11)	–	–	–	–	(18,896)	(18,896)
At 31 December 2005	150,000	43,531	(399)	–	728	193,860

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	79,879	87,871	27,192	9,781
Adjustments for:				
Depreciation	21,093	20,823	-	-
Interest expense	445	764	-	-
Provision for doubtful debts	8	7	-	-
Share of results in associated company	864	(344)	-	-
Gain on disposal of property, plant and equipment	(248)	(477)	-	-
Amortisation of reserve on consolidation	(12,524)	(12,524)	-	-
Bad debts written off	19	61	-	-
Write back of provision for doubtful debts	(78)	(203)	-	-
Tax exempt dividends received				
from investment in unit trusts	(335)	(309)	-	-
Gross dividends from subsidiaries	-	-	(27,778)	(9,861)
Interest income	(1,776)	(2,964)	(178)	(108)
Operating profit before working capital changes	87,347	92,705	(764)	(188)
(Increase)/decrease in inventories	(415)	100	-	-
Decrease/(increase) in receivables	6,455	(24,176)	4,751	4,228
(Decrease)/increase in payables	(39,320)	(26,802)	(275)	263
Cash generated from operations	54,067	41,827	3,712	4,303
Interest paid	(445)	(764)	-	-
Tax paid	(22,113)	(32,490)	(43)	(25)
Net cash generated from operating activities	31,509	8,573	3,669	4,278
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	1,776	2,964	178	108
Purchase of property, plant and equipment	(14,001)	(13,683)	-	-
Acquisition of marketable unit trust	(662)	(309)	-	-
Net dividends received from subsidiaries	-	-	20,000	7,100
Tax exempt dividends received				
from investment in unit trusts	335	309	-	-
Purchase of Treasury shares	(399)	-	(399)	-
Proceeds from sale of property, plant and equipment	(340)	1,558	-	-
Net cash (used in)/generated from investing activities	(13,291)	(9,161)	19,779	7,208

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	(18,883)	(17,280)	(18,883)	(17,280)
Dividends paid to minority shareholders	(17,752)	(20,113)	-	-
Additional investment in associated company	(463)	(1,400)	-	-
Investment in subsidiary company	-	-	2,619	(70)
Repayment of hire purchase and lease financing	(856)	(372)	-	-
Repayment of bank borrowings	(2,976)	(6,629)	-	-
Net cash used in financing activities	(40,930)	(45,794)	(16,264)	(17,350)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(22,712)	(46,382)	7,184	(5,864)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	135,845	182,227	4,268	10,132
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 21)	113,133	135,845	11,452	4,268

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

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding.

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

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

The numbers of employees in the Group and in the Company at the end of the financial year were 1,385 (2004: 1,477) and 9 (2004: 6) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 April 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

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

(b) Basis of Consolidation

(i) Subsidiaries

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of Consolidation (CONTINUED)

(ii) Associated Companies

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

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

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

(c) Investments in Subsidiaries and Associated Companies

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

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

(d) Property, Plant and Equipment and Depreciation

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

Freehold land is not depreciated. Leasehold land is depreciated over a period of 50 years. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

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

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

(e) Construction Contracts

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Inventories

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

(g) Cash and Cash Equivalents

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

(h) Leases

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

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

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

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

(i) Provisions for liabilities

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

(j) Income Tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(k) Employee Benefits****(i) Short Term Benefits**

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

(ii) Defined Contribution Plans

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

(l) Revenue Recognition

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

(i) Sale of Goods

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

(ii) Revenue from Services

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

(iii) Education and Training Fees

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

(iv) Construction Contracts

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

(v) Dividend Income

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

(vi) Interest Income

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

(m) Impairment of Assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial Instruments

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

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

(i) Non-Current Investments

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

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

(ii) Marketable Securities

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

(iii) Receivables

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

(iv) Payables

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

(v) Interest-Bearing Borrowings

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

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

(vi) Equity Instruments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

3. REVENUE

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Gross dividends from subsidiaries	–	–	27,778	9,861
Management fees from subsidiaries	–	–	2,250	2,500
Construction and maintenance contracts	359,046	443,311	–	–
Sale of goods	86,253	69,316	–	–
Education and training fees	26,441	20,461	–	–
Engineering services	47,350	41,819	–	–
Others	1,183	7,539	–	–
	520,273	582,446	30,028	12,361

4. COST OF SALES

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

5. PROFIT FROM OPERATIONS

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Staff costs (Note 6)	50,603	50,615	2,313	2,017
Non-executive director's remuneration (Note 7)	300	46	62	46
Auditor's remuneration				
– statutory audit	163	156	10	10
– other services	39	35	5	5
Depreciation	21,093	20,823	–	–
Provision for doubtful debts	8	7	–	–
Bad debts written off	19	61	–	–
Rental of:				
– office premises	2,693	1,064	–	–
– plant and machinery	76	153	–	–
– motor vehicles	128	156	–	–
– office equipment	430	310	–	–
– others	2	–	–	–
Amortisation of reserve on consolidation	(12,524)	(12,524)	–	–
Gain on disposal of property, plant and equipment	(248)	(477)	–	–
Interest income	(1,776)	(2,964)	(90)	(108)
Tax exempt dividends received				
from investment in unit trusts	(335)	(309)	–	–
Rental income	(522)	(294)	–	–
Write back of provision for doubtful debts	(78)	(203)	–	–

6. STAFF COSTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Wages and salaries	42,709	42,012	1,691	1,532
Social security costs	467	406	3	1
Short term accumulating compensated absences	91	117	-	-
Pension costs – defined contribution plans	4,541	4,615	243	208
Other staff related expenses	2,795	3,465	376	276
	50,603	50,615	2,313	2,017

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM2,885,000 (2004: RM2,991,000) and RM1,586,000 (2004: RM1,559,000) respectively as further disclosed in Note 7.

7. DIRECTORS' REMUNERATION

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	1,416	1,392	1,416	1,392
Pension costs – defined contribution plans	170	167	170	167
Benefits-in-kind	63	56	-	-
	1,649	1,615	1,586	1,559
Non-Executive:				
Fees	47	36	47	36
Other emoluments	15	10	15	10
	62	46	62	46
Other Directors				
Executive:				
Salaries and other emoluments	1,167	1,297	-	-
Pension costs – defined contribution plans	132	135	-	-
Benefits-in-kind	41	72	-	-
	1,340	1,504	-	-
Non-Executive:				
Other emoluments	238	192	-	-
Total	3,289	3,357	1,648	1,605
Analysis excluding benefits-in-kind				
Total executive directors' remuneration excluding benefits-in-kind	2,885	2,991	1,586	1,559
Total non-executive directors' remuneration excluding benefits-in-kind	300	238	62	46
Total excluding benefits-in-kind	3,185	3,229	1,648	1,605

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7. DIRECTORS' REMUNERATION (CONTINUED)

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

	Number of Directors	
	2005	2004
Executive Directors		
RM800,001 – RM850,000	1	–
RM750,001 – RM800,000	1	2
Non-Executive Directors		
Below RM25,000	4	3

8. FINANCE COSTS

	Group	
	2005 RM'000	2004 RM'000
Interest expense on		
– bank overdrafts	33	37
– hire purchase	150	267
– term loans	12	337
– others	250	123
	445	764

9. TAXATION

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Tax expense for the year:				
Charge for the year	21,818	24,487	7,790	2,790
(Over)/under provision in prior years	(5)	364	2	–
	21,813	24,851	7,792	2,790
Deferred tax:				
Relating to origination and reversal of temporary differences	(229)	(299)	–	–
Under provision in prior years	764	67	–	–
	535	(232)	–	–
	22,348	24,619	7,792	2,790

9. TAXATION (CONTINUED)

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the financial year.

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Profit before taxation	79,879	87,871	27,192	9,781
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	22,366	24,604	7,614	2,739
Effect of tax rate of 20%	(423)	(338)	–	–
Expenses not deductible for tax purposes	276	162	6	96
Income not subject to tax	(292)	(195)	(13)	–
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(379)	(45)	–	(45)
Deferred tax asset not recognised during the year	41	–	183	–
(Over)/under provision of income tax in prior years	(5)	364	2	–
Under provision of deferred tax in prior years	764	67	–	–
Tax expense for the year	22,348	24,619	7,792	2,790
Tax savings recognised during the year arising from: Utilisation of tax losses and capital allowances brought forward from previous years	652	45	652	–

10. EARNINGS PER SHARE

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

	Group	
	2005	2004
Profit for the year (RM'000)	41,132	45,996
Weighted average number of ordinary shares in issue ('000)	299,896	300,000
Basic earnings per share (sen)	13.7	15.3

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11. DIVIDENDS

	Amount		Net Dividends Per Ordinary Share	
	2005 RM'000	2004 RM'000	2005 Sen	2004 Sen
Interim				
6.39% less 28% taxation, declared on 18 November 2005 and paid on 10 January 2006	6,887	–	2.30	–
6.39% less 28% taxation, declared on 24 November 2004 and paid on 18 January 2005	–	6,900	–	2.30
Final				
11.12% less 28% taxation, declared on 30 May 2005 and paid on 15 June 2005	12,010	–	4.00	–
10% less 28% taxation, declared on 23 June 2004 and paid on 12 July 2004	–	10,800	–	3.60
	18,897	17,700	6.30	5.90

At the forthcoming Annual General Meeting, the directors recommend a final dividend in respect of the financial year ended 31 December 2005, of 11.12% less 28% taxation, amounting to a dividend payable of approximately RM11,978,800 (4 sen net per share) computed based on the issued and paid-up capital as at 31 December 2005 of 299,470,000 ordinary shares of RM0.50 each to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2006.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land		Leasehold Land		Freehold Buildings		Renovation		Reference		Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Group											
Cost											
At 1 January 2005	72,000	-	46,355	9,052	33,072	83,393	30,214	274,086			
Additions	-	2,136	-	606	1,800	8,003	1,456	14,001			
Disposals	-	-	-	-	(64)	(439)	(344)	(847)			
Exchange rate differences	-	-	-	-	-	124	19	143			
At 31 December 2005	72,000	2,136	46,355	9,658	34,808	91,081	31,345	287,383			
Accumulated Depreciation											
At 1 January 2005	-	-	1,557	4,081	20,113	45,113	21,233	92,097			
Charge for the year	-	96	843	1,124	4,406	10,462	4,162	21,093			
Disposals	-	-	-	-	(36)	(216)	(255)	(507)			
At 31 December 2005	-	96	2,400	5,205	24,483	55,359	25,140	112,683			
Net Book Value											
At 31 December 2005	72,000	2,040	43,955	4,453	10,325	35,722	6,205	174,700			
At 31 December 2004	72,000	-	44,798	4,971	12,959	38,280	8,981	181,989			
Details as at 1 January 2004											
Cost	72,000	-	46,355	8,530	30,137	75,030	30,409	262,461			
Accumulated depreciation	-	-	630	3,017	15,611	36,008	16,985	72,251			
Depreciation charge for 2004											
	-	-	927	1,064	4,608	9,515	4,709	20,823			

- (a) Certain property, plant and equipment of the Group with net book value of RM1,532,000 (2004: RM3,715,000) are held under hire purchase and lease arrangements.
- (b) During the year, the Group acquired property, plant and equipment with an aggregate cost of RM379,000 (2004: RM2,454,000) by means of hire purchase and finance lease arrangements.
- (c) Certain property, plant and equipment of the Group with net book value of RM110,358,000 (2004: RM115,900,000) were pledged to financial institutions as security to secure credit facilities as disclosed in Note 24.

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13. INVESTMENT IN SUBSIDIARIES

	Company	
	2005 RM'000	2004 RM'000
Unquoted shares at cost	129,179	131,798

Details of subsidiaries are as follows:

Name of Company	Principal Activities	Country of Incorporation	Equity Interest Held	
			2005 %	2004 %
Kumpulan Ikram Sdn Bhd	Training, geotechnical laboratory, structural and material testing, soil investigation, research and development, listing of building materials, engineering and technical related activities and services	Malaysia	100	100
HCM Engineering Sdn Bhd	Road construction, rehabilitation and maintenance	Malaysia	100	100
Protasco Trading Sdn Bhd	Trading of construction materials and petroleum products	Malaysia	100	100
Protasco Land Sdn Bhd	Property development	Malaysia	100	100
Protasco Infra Sdn Bhd	Infrastructure and related work	Malaysia	100	100

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

Name of Company	Principal Activities	Country of Incorporation	Equity Interest Held	
			2005 %	2004 %
Yangpu Hi-Pro Road Maintenance Co Ltd	Maintenance and rehabilitation of roads and other infrastructure works	China	100	–

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of Company	Principal Activities	Country of Incorporation	Equity Interest Held	
			2005 %	2004 %
Ikram Engineering Services Sdn Bhd	Site investigation and soil testing services	Malaysia	100	100
Kumpulan Ikram (Sabah) Sdn Bhd	Site investigation and soil testing services	Malaysia	60	60
Ikram Education Sdn Bhd*	Education services	Malaysia	100	100
Ikram Geotechnics Sdn Bhd*	Geotechnical services	Malaysia	100	100
Ikram Latihan Sdn Bhd*	Training courses	Malaysia	100	100
Ikram Research Centre Sdn Bhd* (formerly known as Ikram C&S Sdn Bhd)	Pavement evaluation and material testing	Malaysia	100	100
Ikram QA Services Sdn Bhd*	Certification and listing of products	Malaysia	100	100
Kumpulan Ikram (Sarawak) Sdn Bhd	Site investigation and soil testing services	Malaysia	60	60
Paves Sdn Bhd	Provision of evaluation and testing services for road pavement	Malaysia	60	60

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

Name of Company	Principal Activities	Country of Incorporation	Equity Interest Held	
			2005 %	2004 %
Roadcare (M) Sdn Bhd*	Road construction and maintenance	Malaysia	51	51
HCM-TH Technologies Sdn Bhd*	Road construction and rehabilitation	Malaysia	70	70
HCM Engineering-Isyoda JV Sdn Bhd*	Road construction and rehabilitation	Malaysia	51	51
FRM Roadworks Sdn Bhd*	Road construction and maintenance	Malaysia	51	51
HCM-Ikhtisas Sdn Bhd*	Construction and maintenance	Malaysia	60	60
HCM Engineering (PNG) Ltd*	Infrastructure and construction	Papua New Guinea	100	100
HCM (L) Ltd	Investment holding	FT Labuan	100	–
Global Traders Ltd	Trading	FT Labuan	51	–

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

Name of Company	Principal Activities	Country of Incorporation	Equity Interest Held	
			2005 %	2004 %
Protasco Infratech (M) Sdn Bhd	Trading of construction materials	Malaysia	100	70
QP Industries Sdn Bhd*	Production of pavement materials	Malaysia	100	100

* Audited by firms of auditors other than Ernst & Young

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13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

- (a) On 28 June 2005, the Company acquired 100% equity interest of Protasco Infra Sdn Bhd, a company incorporated in Malaysia for a cash consideration of RM2 and on the same date increased its investment in Protasco Infra Sdn Bhd to RM100.
- (b) On 11 August 2005, HCM Engineering Sdn Bhd, a wholly owned subsidiary, subscribed 100% equity interest in HCM (L) Bhd, a newly incorporated company in the Federal Territory of Labuan for a cash consideration of USD1.00 (RM3.80).
- (c) On 10 August 2005, Protasco Infra Sdn Bhd subscribed 100% equity interest in Yangpu Hi-Pro Road Maintenance Co Ltd, a newly incorporated company in China. The registered capital of the company is USD 2.1 million which is payable within one year. Subsequent to this date, Protasco Infra Sdn Bhd made payments for the capital on the following dates:

Payment Date	Amount
26 October 2005	USD13,586 (RM51,627)
21 November 2005	USD10,577 (RM40,193)
2 December 2005	USD291,965 (RM1,109,467)

- (d) On 16 August 2005, HCM (L) Bhd, a wholly owned subsidiary of HCM Engineering Sdn Bhd, subscribed 51% equity interest in Global Traders Ltd, a newly incorporated company in the Federal Territory of Labuan for a cash consideration of USD51 (RM194).
- (e) On 21 September 2005, Protasco Trading Sdn Bhd, a wholly owned subsidiary, further increased its investment in Protasco Infratech (M) Sdn Bhd with the acquisition of the remaining 30% equity interest comprising 30,000 ordinary shares of RM1.00 for a cash consideration of RM1.00.
- (f) On 30 December 2005, HCM Engineering Sdn Bhd, a wholly owned subsidiary, further increased its investment in HCM Engineering (PNG) Ltd to PNG Kina 1,799,000 (RM2,356,690). The equity interest in the subsidiary remains at 100%.

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

14. INVESTMENT IN ASSOCIATED COMPANIES

	Group	
	2005 RM'000	2004 RM'000
Unquoted shares at cost	1,903	1,440
Share of post acquisition reserves	136	323
	2,039	1,763
Represented by:		
Share of net assets	2,039	1,763

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

Name of Associated Companies	Principal Activities	Country of Incorporation	Equity Interest Held	
			2005 %	2004 %
THT-HCM JV Sdn Bhd	Road construction	Malaysia	40	40
Libyan Malaysian Company for Roads and Construction	Construction and maintenance	Libya	49	–

On 1 August 2005, HCM-Ikhtisas Sdn Bhd, a subsidiary of HCM Engineering Sdn Bhd acquired 49% equity interest in Libyan Malaysian Company for Road Construction, a newly incorporated company in Libya for a cash consideration of Libyan Dinar 147,000 (RM463,445).

15. OTHER INVESTMENT – NON CURRENT ASSET

Other investment represents transferable corporate golf memberships, at cost.

16. INVENTORIES

	Group	
	2005 RM'000	2004 RM'000
At cost:		
Stores and spares	724	309

17. TRADE RECEIVABLES

	Group	
	2005 RM'000	2004 RM'000
Trade receivables	182,232	190,239
Due from customers on contracts (Note 20)	5,186	1,796
	187,418	192,035
Less: Provision for doubtful debts	(3,493)	(3,310)
	183,925	188,725

Trade receivables includes amounts due from TH Technologies Sdn Bhd, Muhibbah Engineering (M) Berhad, Endaya Construction Sdn Bhd and Projek Penyelenggaraan Lebuhraya Berhad and its related companies, amounting to RM2,400,000 (2004: RM13,190,000). These companies are the corporate shareholders of HCM-TH Technologies Sdn Bhd, Roadcare (M) Sdn Bhd, FRM Roadworks Sdn Bhd and Paves Sdn Bhd.

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

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

18. OTHER RECEIVABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Due from subsidiaries	–	–	60,040	64,792
Deposits	1,135	767	5	5
Prepayments	170	181	–	–
Sundry receivables	3,894	3,877	–	–
	5,199	4,825	60,045	64,797
Less: Provision for doubtful debts	(718)	(735)	–	–
	4,481	4,090	60,045	64,797

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

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

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19. OTHER INVESTMENT – CURRENT ASSET

	Group	
	2005 RM'000	2004 RM'000
Unit trust, quoted in Malaysia, at cost	13,168	12,506
Market value of quoted unit trusts	13,168	12,506

20. DUE FROM CUSTOMERS ON CONTRACTS

	Group	
	2005 RM'000	2004 RM'000
Construction contract costs incurred to date	882,828	802,353
Attributable profits	216,168	190,184
	1,098,996	992,537
Less: Progress billings	(1,093,810)	(990,741)
	5,186	1,796
Due from customers on contracts (Note 17)	5,186	1,796
Contract costs recognised as an expense	117,278	156,502

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

	Group	
	2005 RM'000	2004 RM'000
Hire of plant and machinery	4,559	4,042
Staff cost	56	–
Rental expense	323	468

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash on hand and at banks	42,225	20,756	11,452	68
Deposits with licensed banks	71,029	115,092	–	4,200
Cash and bank balances	113,254	135,848	11,452	4,268
Less: Bank overdrafts	(121)	(3)	–	–
Cash and cash equivalents	113,133	135,845	11,452	4,268

Deposits placed with licensed banks of the Group amounting to RM10,549,000 (2004: RM9,445,000) are pledged to banks for credit facilities granted to certain subsidiaries as referred to in Note 24.

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

	Group		Company	
	2005 %	2004 %	2005 %	2004 %
Licensed banks	2.4	2.3	2.5	2.5

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

	Group		Company	
	2005 Days	2004 Days	2005 Days	2004 Days
Licensed banks	12	9	7	7

22. TRADE PAYABLES

Trade payables includes amounts due to Projek Penyelenggaraan Lebuhraya Berhad and its related companies, TH Technologies Sdn Bhd and C&H Engineering Consultants Sdn Bhd ("C&H") of RM7,007,000 (2004: RM12,002,000). The relationship with these companies have been disclosed in Note 17 except for C&H, which is a company owned substantially by directors of the Company, Dato' Hasnur Rabiain Bin Ismail and Dato' Chong Ket Pen.

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

23. OTHER PAYABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Accruals	3,680	3,562	10	285
Sundry payables	16,341	14,074	–	–
	20,021	17,636	10	285

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24. BORROWINGS

	Group	
	2005 RM'000	2004 RM'000
Short Term Borrowings		
Secured:		
Revolving credits	1,200	–
Term loans	1,201	2,238
Bank overdrafts	121	3
Hire purchase and finance lease payables (Note 25)	1,044	1,227
	3,566	3,468
Long Term Borrowings		
Secured:		
Term loans	38	1,239
Hire purchase and finance lease payables (Note 25)	442	1,115
	480	2,354
Total Borrowings		
Revolving credits	1,200	–
Term loans	1,239	3,477
Bank overdrafts	121	3
Hire purchase and finance lease payables (Note 25)	1,486	2,342
	4,046	5,822
Maturity of borrowings (excluding hire purchase and finance lease):		
Within one year	2,523	2,241
More than 1 years and less than 5 years	38	1,239
	2,561	3,480

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

	Group	
	2005 %	2004 %
Revolving credits	4.8	–
Term loans	6.1	6.0
Bank overdrafts	8.2	7.7

The term loans are secured by the following:

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

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

25. HIRE PURCHASE AND FINANCE LEASE PAYABLES

	Group	
	2005 RM'000	2004 RM'000
Minimum lease payments		
Not later than one year	1,214	1,375
Later than 1 year but not later than 5 years	498	1,254
	1,712	2,629
Less: Future finance charges	(226)	(287)
Present value of hire purchase	1,486	2,342
Present value of finance lease liabilities		
Not later than one year	1,044	1,227
Later than 1 year but not later than 5 years	442	1,115
	1,486	2,342
Analysed as follows		
Due within 12 months (Note 24)	1,044	1,227
Due after 12 months (Note 24)	442	1,115
	1,486	2,342

The hire purchase and lease liabilities bore interest at the balance sheet date of between 2.9% to 6.0% per annum (2004: 3.29% to 5.75% per annum).

26. SHARE CAPITAL

	Number of Ordinary Shares RM0.50 Each		Amount	
	2005 '000	2004 '000	2005 RM'000	2004 RM'000
Authorised:				
At 1 January/31 December	600,000	600,000	300,000	300,000
Issued and fully paid:				
At 1 January/31 December	300,000	300,000	150,000	150,000

Treasury Shares

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

The shareholders of the Company, by a special resolution passed in a general meeting held on 27 January 2005, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders.

During the year, the Company repurchased 530,000 of its issued shares capital from the open market at an average price of RM0.75 per share. The total consideration paid for the repurchase including transaction costs was RM399,000. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

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

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27. RETAINED PROFITS

As at 31 December 2005, the Company has tax exempt profits available for distribution of approximately RM400,000 (2004: RM400,000) as tax exempt dividends, subject to the agreement of the Inland Revenue Board.

The company has sufficient tax credits under Section 108 of the Income Tax Act 1967 and the balance in the tax exempt income account to frank the payment of dividends out of its entire retained profits as at 31 December 2005.

28. RESERVE ON CONSOLIDATION

	Group	
	2005 RM'000	2004 RM'000
Reserve on consolidation arising from acquisition of subsidiaries	42,790	55,314
Less: Amortisation of reserve on consolidation	(12,524)	(12,524)
	30,266	42,790

29. DEFERRED TAX LIABILITIES

	Group	
	2005 RM'000	2004 RM'000
At 1 January	7,529	7,761
Recognised in income statement	535	(232)
At 31 December	8,064	7,529
Presented after appropriate offsetting as follows:		
Deferred tax assets	(298)	(366)
Deferred tax liabilities	8,362	7,895
	8,064	7,529

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

Deferred Tax Liabilities of the Group

	Accelerated Capital Allowances	Fair Value Adjustment	Total
	RM'000	RM'000	RM'000
At 1 January 2005	4,792	3,103	7,895
Recognised in income statement	467	–	467
At 31 December 2005	5,259	3,103	8,362

Deferred Tax Assets of the Group

	Tax Losses	Provisions	Total
	RM'000	RM'000	RM'000
At 1 January 2005	(75)	(291)	(366)
Recognised in income statement	68	–	68
At 31 December 2005	(7)	(291)	(298)

29. DEFERRED TAX LIABILITIES (CONTINUED)

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

	Group	
	2005 RM'000	2004 RM'000
Unutilised tax losses	1,848,800	853,800
Unabsorbed capital allowances	110,000	105,181
Provision for doubtful debts and slow moving stocks	–	393,369
	1,958,800	1,352,350

The unused tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the subsidiary.

30. CAPITAL COMMITMENT

	Group	
	2005 RM'000	2004 RM'000
Capital expenditure:		
Approved and contracted for	208	453
Approved but not contracted for	780	–
	988	453

31. CONTINGENT LIABILITIES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Unsecured				
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	170,490	102,020	135,036	66,566
Corporate guarantees given to suppliers for credit facilities granted to a subsidiary company	14,440	6,750	14,440	6,750
Guarantee given by a subsidiary company to Government of Malaysia for the repayment of advance payment received	8,700	8,700	–	–
Performance guarantee extended by subsidiaries to third parties	126,436	116,326	–	–

NOTES TO THE FINANCIAL STATEMENTS

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32. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Gross dividends from subsidiaries	-	-	27,778	9,861
Management fees from subsidiaries	-	-	2,250	2,500
Services rendered to:				
- Muhibbah Engineering (M) Berhad, a corporate shareholder of Roadcare (M) Sdn Bhd	(31)	(3,019)	-	-
- Projek Penyelenggaraan Lebuhraya Berhad, a corporate shareholder of Paves Sdn Bhd, and its related companies	(2,572)	(3,940)	-	-
- TH Technologies Sdn Bhd, a corporate shareholder of Roadcare (M) Sdn Bhd and HCM-TH Technologies Sdn Bhd	(139)	(4,008)	-	-
- C&H Engineerings Consultants Sdn Bhd, a company owned substantially by directors of the Company, Dato' Hasnur Rabiain Bin Ismail and Dato' Chong Ket Pen	(555)	(606)	-	-
Sales to:				
- Muhibbah Engineering (M) Berhad	-	(52)	-	-
- TH Technologies Sdn Bhd	-	(3,513)	-	-
Services rendered by:				
- Projek Penyelenggaraan Lebuhraya Berhad, and its related companies	1,007	593	-	-
- TH Technologies Sdn Bhd	26,539	35,821	-	-
- C&H Engineerings Consultants Sdn Bhd	2,638	4,866	-	-

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

33. OTHER SIGNIFICANT EVENTS

- On 28 June 2005, the Company acquired 100% equity interest of Protasco Infra Sdn Bhd, a company incorporated in Malaysia for a cash consideration of RM2 and on the same date increased its investment in Protasco Infra Sdn Bhd to RM100.
- On 11 August 2005, HCM Engineering Sdn Bhd, a wholly owned subsidiary, subscribed 100% equity interest in HCM (L) Bhd, a newly incorporated company in the Federal Territory of Labuan for a cash consideration of USD1.00 (RM3.80).
- On 1 August 2005, HCM-Ikhtisas Sdn Bhd, a subsidiary of HCM Engineering Sdn Bhd acquired 49% equity interest in Libyan Malaysian Company for Roads and Construction, a newly incorporated company in Libya for a cash consideration of Libyan Dinar 147,000 (RM463,445).
- On 10 August 2005, Protasco Infra Sdn Bhd subscribed 100% equity interest in Yangpu Hi-Pro Road Maintenance Co Ltd, a newly incorporated company in China. The registered capital of the company is USD 2.1 million which is payable within one year. Subsequent to this date, Protasco Infra Sdn Bhd made payments for the capital on the following dates:

Payment Date	Amount
26 October 2005	USD13,586 (RM51,627)
21 November 2005	USD10,577 (RM40,193)
2 December 2005	USD291,965 (RM1,109,467)

33. OTHER SIGNIFICANT EVENTS (CONTINUED)

- (e) On 16 August 2005, HCM (L) Bhd, a wholly owned subsidiary of HCM Engineering Sdn Bhd, subscribed 51% equity interest in Global Traders Ltd, a newly incorporated company in the Federal Territory of Labuan for a cash consideration of USD51 (RM194).
- (f) On 21 September 2005, Protasco Trading Sdn Bhd, a wholly owned subsidiary, further increased its investment in Protasco Infratech (M) Sdn Bhd with the acquisition of the remaining 30% equity interest comprising 30,000 ordinary shares of RM1.00 for a cash consideration of RM1.00.
- (g) On 30 December 2005, HCM Engineering Sdn Bhd, a wholly owned subsidiary, further increased its investment in HCM Engineering (PNG) Ltd to PNG Kina 1,799,000 (RM2,356,690). The equity interest in the subsidiary remains at 100%.

34. SUBSEQUENT EVENTS

- (a) On 6 January 2006, Kumpulan Ikram (Sabah) Sdn Bhd, a subsidiary of Kumpulan Ikram Sdn Bhd acquired 20% equity interest in Infra Water Sdn Bhd, comprising of 20,000 ordinary shares of RM1.00 for cash consideration of RM20,000. On the same date, Protasco Infra Sdn Bhd a wholly owed subsidiary acquired 55% equity interest in Infra Water Sdn Bhd, comprising of 55,000 ordinary shares of RM1.00 for cash consideration of RM55,000. As a result of these acquisitions, the Company has an effective equity interest of 67% in Infra Water Sdn Bhd.
- (b) On 6 January 2006, HCM-Ikhtisas Sdn Bhd further increased its investment in Libyan Malaysian Company for Road Construction to Libyan Dinar 490,000 (RM1,442,825). The equity interest in the company remains at 49%.
- (c) On 12 January 2006, Ikram Research Center Sdn Bhd, a wholly owned subsidiary of Kumpulan Ikram Sdn Bhd, changed its name to Ikram Structure Assessment Sdn Bhd.
- (d) On 14 April 2006, HCM Engineering Sdn Bhd, a wholly owned subsidiary, acquired 66.67% equity interest in Pavemat Sdn Bhd, a company incorporated in Malaysia for cash consideration of RM2.

35. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

(b) Interest Rate Risk

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

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

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

(c) Liquidity and Cash Flow Risk

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

35. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit Risk

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

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

(e) Foreign Currency Risk

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

(f) Fair Values

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

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

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

36. SEGMENTAL INFORMATION

(a) Business Segments

The Group is organised into four major business segments

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

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

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

(b) Geographical Segments

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

36. SEGMENTAL INFORMATION (CONTINUED)

31 December 2005	Construction	Engineering	Training and	Trading	Others	Eliminations	Consolidated
	Contracts RM'000	Services RM'000	Education RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE							
External sales	359,046	47,350	26,442	86,253	1,182	-	520,273
Inter-segment sales	36	3,925	445	45,925	32,762	(83,093)	-
Total revenue	359,082	51,275	26,887	132,178	33,944	(83,093)	520,273
RESULTS							
Segment results	54,912	6,097	2,828	3,348	16,664	(15,185)	68,664
Amortisation of reserve on consolidation							12,524
Profit from operations							81,188
Finance costs							(445)
Share of results of associated company	(864)	-	-	-	-	-	(864)
Taxation							(22,348)
Profit after taxation							57,531
Minority interests							(16,399)
Net profit for the year							41,132
ASSETS							
Segment assets	248,264	195,498	14,489	23,257	14,851	-	496,359
Investment in associated company							-
Unallocated corporate assets							-
Consolidated total assets							496,359
LIABILITIES							
Segment liabilities	82,143	29,373	7,294	21,338	8,006	-	148,154
Unallocated corporate liabilities							-
Consolidated total liabilities							148,154
OTHER INFORMATION							
Capital expenditure	9,602	2,379	1,784	12	224	-	14,001
Depreciation	14,670	5,218	960	98	147	-	21,093

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

36. SEGMENTAL INFORMATION (CONTINUED)

	Construction Contracts RM'000	Engineering Services RM'000	Training and Education RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
31 December 2004							
REVENUE							
External sales	443,311	44,954	20,334	69,316	4,531	—	582,446
Inter-segment sales	—	8,272	135	32,412	13,785	(54,604)	—
Total revenue	443,311	53,226	20,469	101,728	18,316	(54,604)	582,446
RESULTS							
Segment results	62,113	3,328	1,197	4,130	14,662	(9,663)	75,767
Amortisation of reserve on consolidation							12,524
Profit from operations							88,291
Finance costs							(764)
Share of results of associated company	344	—	—	—	—	—	344
Taxation							(24,619)
Profit after taxation							63,252
Minority interests							(17,256)
Net profit for the year							45,996
ASSETS							
Segment assets	295,076	194,190	12,764	19,436	5,276	—	526,742
Investment in associated company	1,763	—	—	—	—	—	1,763
Unallocated corporate assets							—
Consolidated total assets							528,505
LIABILITIES							
Segment liabilities	139,190	26,331	4,425	11,690	7,392	—	189,028
Unallocated corporate liabilities							—
Consolidated total liabilities							189,028
OTHER INFORMATION							
Capital expenditure	9,629	2,653	1,375	26	—	—	13,683
Depreciation	13,985	5,816	808	112	102	—	20,823

LIST OF PROPERTIES

No	Location	Description/ Existing Use	Age of Buildings	Tenure	Approx. Land Area sq. ft.	Net Book Value at 31.12.2005 RM'000	Date of Revaluation*/ Acquisition#
1.	Lot No. P.T. 2158, Mukim of Dengkil, District of Sepang, State of Selangor Darul Ehsan.	Institutional, commercial and residential	Between 4 – 23 years	Freehold	4,356 million	110,050	18.04.02*
2.	Lot No. 28401 and Lot No. 28402, Mukim of Senai-Kulai, District of Johor Bahru, State of Johor Darul Takzim.	Two adjoining units of 11/2-storey light industrial terraced factories	8 years	Freehold	9,558	757	18.04.02*
3.	Lot Nos. 1576 and 1577, Held Under Grant Nos. 53674 and 53675, respectively of Mukim 4, Seberang Prai Tengah, Pulau Pinang.	Two adjoining three-storey shop offices	10 years	Freehold	2,799	879	18.04.02*
4.	Lot No. P.T. 172, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan.	Intermediate four-storey shophouse	22 years	Leasehold 99 years expiring in 2076	1,760	833	01.03.02#
5.	Lot No. P.T. 166, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan.	Intermediate four-storey shophouse	22 years	Leasehold 99 years expiring in 2076	1,760	696	11.06.02#
6.	Lot No. P.T. 167, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan.	Intermediate four-storey shophouse	22 years	Leasehold 99 years expiring in 2076	1,760	696	11.06.02#
7.	Lot No. P.T. 168, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan.	Intermediate four-storey shophouse	22 years	Leasehold 99 years expiring in 2076	1,760	696	11.06.02#
8.	Lot No. P.T. 169, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan.	Corner lot four-storey shophouse	22 years	Leasehold 99 years expiring in 2076	2,208	975	11.06.02#
9.	HS (M) 39751 Lot No. P.T. 47478, Mukim Kuala Kuantan, Daerah Kuantan, Pahang.	Two-storey semi-detached factory	9 years	Leasehold 66 years expiring in 2063	4,500	289	10.12.01#
10.	Country Lease No. 075356580, Sungai Tinosan, Sandakan, Sabah.	Land for future development	N/A	Leasehold 99 years expiring in 2074	291,850	705	10.03.05#
11.	HS (M) 1156, Blok 7, Mukim of Dengkil, District of Sepang, State of Selangor Darul Ehsan.	Land developed for a workshop	N/A	Leasehold 99 years expiring in 2080	126,300	1,344	05.08.05#

ANALYSIS OF SHAREHOLDINGS

AS AT 18 APRIL 2006

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

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders		No. of Holdings		% of Holdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
1 – 99	57	0	2,911	0	0.00	0.00
100 – 1,000	606	2	555,300	2,000	0.18	0.00
1,001 – 10,000	1,429	13	6,574,131	59,000	2.20	0.02
10,001 – 100,000	496	19	16,175,908	800,700	5.41	0.27
100,001 – 14,960,269*	158	4	126,143,658	2,274,000	42.16	0.76
14,960,270 and above**	6	0	146,617,792	0	49.00	0.00
TOTAL	2,752	38	296,069,700	3,135,700	98.95	1.05

	No. of Holders		No. of Holdings		% of Holdings	
GRAND TOTAL	2,790		299,205,400***		100.00	

Remarks:

- * Less than 5% of issued and paid-up share capital
- ** 5% and above of issued and paid-up share capital
- *** Excluding 794,600 treasury shares

SUBSTANTIAL SHAREHOLDERS

Name	Direct Holdings		Indirect Holdings	
	No. of Shares	%	No. of Shares	%
Dato' Hasnur Rabiain Bin Ismail	39,064,193	13.06	52,201,720 ⁽¹⁾	17.45
Dato' Chong Ket Pen	39,603,193	13.24	22,964,074 ⁽²⁾	7.68
Yap Oon Neo	33,054,701	11.05	22,964,074 ⁽²⁾	7.68
Dream Cruiser Sdn Bhd	29,237,646	9.77	—	—
Max-Three Sdn Bhd	22,964,074	7.68	—	—

Notes:

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

DIRECTORS' SHAREHOLDINGS

Directors' Name	Total No. of Shares	%
Dato' Hasnur Rabiain Bin Ismail	39,064,193	13.06
Dato' Chong Ket Pen	39,603,193	13.24
Dato' Dr Norraesah Binti Haji Mohamad	—	—
Datin Normah Binti Kassim	90,000	0.03
Benny Soh Seow Leng	170,000	0.05
Azliza Binti Ahmad Tajuddin	149,500	0.05
TOTAL	79,076,886	26.43

LIST OF TOP 30 SHAREHOLDERS *

No.	Name	Holdings	%
1.	Hasnur Rabiain Bin Ismail	38,739,144	12.95
2.	Yap Oon Neo	30,821,579	10.30
3.	Chong Ket Pen	23,204,119	7.76
4.	Dream Cruiser Sdn Bhd	21,057,528	7.04
5.	Chong Ket Pen	16,399,074	5.48
6.	Max-Three Sdn Bhd	16,396,348	5.48
7.	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pheim Asset Management Sdn Bhd for Employees Provident Fund</i>	8,873,526	2.97
8.	Dream Cruiser Sdn Bhd	8,180,118	2.73
9.	Cekal Teguh Sdn Bhd	7,610,571	2.54
10.	Max-Three Sdn Bhd	6,567,726	2.20
11.	Employees Provident Fund Board	5,873,600	1.96
12.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB for LGB Holdings Sdn Bhd (PB)</i>	5,572,442	1.86
13.	Malaysia Nominees (Tempatan) Sendirian Berhad <i>Great Eastern Life Assurance (Malaysia) Berhad (Par 2)</i>	4,010,300	1.34
14.	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Public Smallcap Fund</i>	3,515,200	1.17
15.	Malaysia Nominees (Tempatan) Sendirian Berhad <i>Great Eastern Life Assurance (Malaysia) Berhad (Non Par 1)</i>	3,500,000	1.17
16.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for CMS Premier Fund (4959)</i>	3,500,000	1.17
17.	Takaful Nasional Sdn Berhad	3,145,000	1.05
18.	Lembaga Tabung Haji	2,875,100	0.96
19.	Malaysia National Insurance Berhad	2,794,000	0.93
20.	Lau Yeet Mei	2,185,385	0.73
21.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust (3548)</i>	1,879,100	0.63
22.	Hong Leong Assurance Berhad <i>As Beneficial Owner (Life Par)</i>	1,857,900	0.62
23.	Mayban Nominees (Tempatan) Sdn Bhd <i>Mayban Trustees Berhad For Public Ittikal Fund (N14011970240)</i>	1,642,600	0.55
24.	Ooi Hoow Kiong	1,583,546	0.53
25.	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Public Islamic Opportunities Fund</i>	1,506,000	0.50
26.	HLB Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Yong Ma. Teresa Alava (SIN6381-1)</i>	1,500,000	0.50
27.	Yap Oon Neo	1,475,122	0.49
28.	Malaysia Nominees (Tempatan) Sendirian Berhad <i>Amanah SSCM Asset Management Berhad for Amanah Millenia Fund Berhad (JM730)</i>	1,475,100	0.49
29.	Lau Yeet Mei	1,426,758	0.48
30.	Tan Yein Kim @ Tan Eng Kian	1,342,013	0.45
TOTAL		230,508,899	77.03

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting of the Company will be held at Conference Hall, 1st Floor, Corporate Building, Taman Ilmu Ikram (Ikram Park), Jalan Serdang-Kajang, 43000 Kajang, Selangor Darul Ehsan on Thursday, 15 June 2006 at 10.00 a.m. to transact the following businesses:

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2005 and the Reports of Directors and Auditors thereon. **Ordinary Resolution 1**
2. To approve a final net dividend of 4 sen per share for the financial year ended 31 December 2005. **Ordinary Resolution 2**
3. To re-elect the following Directors retiring in accordance with Article 70 of the Company's Articles of Association:
 - (i) Dato' Chong Ket Pen **Ordinary Resolution 3**
 - (ii) Puan Azliza binti Ahmad Tajuddin **Ordinary Resolution 4**
4. To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to determine their remuneration. **Ordinary Resolution 5**

As Special Business:

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

5. ORDINARY RESOLUTION – AUTHORITY TO ISSUE SHARES

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

Ordinary Resolution 6

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

“THAT pursuant to Chapter 10, Paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries (“PB Group”) be and are hereby authorised to enter into and give effect to the Recurrent Transactions with the related parties, as detailed in Section 2.3 of the Circular to Shareholders dated 23 May 2006 which are necessary for the PB Group’s day-to-day operations in the ordinary course of business on terms not more favourable to the said Related Party than those generally available to the public and not detrimental to minority shareholders of the Company.

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

- (i) the conclusion of the next Annual General Meeting (“AGM”), at which time the said authority will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
 - (ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act 1965 (“the Act”) (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or
 - (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;
- whichever occurs first.

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

Ordinary Resolution 7

NOTICE OF ANNUAL GENERAL MEETING

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

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

- (a) The maximum number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the issued and paid-up ordinary share capital of the Company at any point in time;
- (b) The maximum fund to be allocated by the Company for the purpose of purchasing its shares shall not exceed the retained profits and share premium accounts of the Company. As at the latest financial year ended 31 December 2005, the audited retained profits and share premium accounts of the Company stood at RM0.728 million and RM43.531 million respectively;
- (c) The authority conferred by this resolution will be effective upon passing of this resolution and will continue in force until:
 - (i) the conclusion of the next Annual General Meeting (“AGM”), at which time the said authority will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
 - (ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or
 - (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;whichever occurs first;
- (d) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:
 - (i) cancel the shares so purchased;
 - (ii) retain the shares so purchased as treasury shares;
 - (iii) distribute the treasury shares as dividends to shareholders;
 - (iv) resell the treasury shares on Bursa Securities in accordance with the relevant rules of Bursa Securities; and
 - (v) any combination of the above (i), (ii), (iii) and (iv).

THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary and 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 8

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

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT a final net dividend of 4 sen per share for the financial year ended 31 December 2005, if approved by shareholders, will be payable on 28 June 2006 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 20 June 2006.

A Depositor shall qualify for entitlement only in respect of:

- (a) shares transferred to the Depositor's Securities Account before 4.00 p.m. on 20 June 2006 in respect of transfers; and
- (b) shares bought on Bursa Malaysia Securities Berhad on a cum-entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

KHOR HOOI LING
SEOW FEI SAN
Secretaries

Selangor Darul Ehsan
23 May 2006

NOTES:

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

Ordinary Resolution 6

The proposed Ordinary Resolution 6, if passed, will empower the Directors of the Company to issue and allot not more than 10% of the issued share capital of the Company subject to the approvals of all the relevant authorities and for such purposes as the Directors consider would be in the interest of the Company. This authorisation will, unless revoked or varied by the Company in a general meeting, expire at the next Annual General Meeting of the Company.

Ordinary Resolution 7

The proposed Ordinary Resolution 7, if passed, will allow the Group to enter into Recurrent Transactions pursuant to paragraph 10.09 of the Listing Requirements. Further information on the Proposed Shareholders' Mandate for Recurrent Transactions is set out in Part A of the Circular to Shareholders dated 23 May 2006, which is despatched together with the Company's Annual Report 2005.

Ordinary Resolution 8

The proposed Ordinary Resolution 8, if passed, will empower the Directors of the Company to purchase the Company's shares up to ten percent (10%) of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back") by utilizing the funds allocated which shall not exceed the total retained earnings and share premium account of the Company. Further information on the Proposed Shares Buy-Back is set out in Part B of the Circular to Shareholders dated 23 May 2006, which is despatched together with Company's Annual Report 2005.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

DIRECTORS STANDING FOR RE-ELECTION

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

- (i) Dato' Chong Ket Pen
- (ii) Puan Azliza binti Ahmad Tajuddin

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

BOARD MEETINGS

There were five (5) Board Meetings held during the financial year ended 31 December 2005. The meetings were held at Taman Ilmu Ikram (Ikram Park), Jalan Serdang-Kajang, 43000 Kajang, Selangor Darul Ehsan and the attendance of the directors is set out on page 18 of the Annual Report.

PLACE, DATE AND TIME OF THE FIFTH ANNUAL GENERAL MEETING

The Fifth Annual General Meeting will be held at Conference Hall, 1st Floor, Corporate Building, Taman Ilmu Ikram (Ikram Park), Jalan Serdang-Kajang, 43000 Kajang, Selangor Darul Ehsan on Thursday, 15 June 2006 at 10.00 a.m.

FORM OF PROXY

I/We _____
(FULL NAME IN CAPITAL LETTERS)

of _____
(FULL ADDRESS)

being a member/members of Protasco Berhad hereby appoint _____
(FULL NAME IN CAPITAL LETTERS)

of _____
(FULL ADDRESS)

or failing him/her _____
(FULL NAME IN CAPITAL LETTERS)

of _____
(FULL ADDRESS)

as my/our proxy to vote for my/our behalf at the Fifth Annual General Meeting of the Company to be held at Conference Hall, 1st Floor, Corporate Building, Taman Ilmu Ikram (Ikram Park), Jalan Serdang-Kajang, 43000 Kajang, Selangor Darul Ehsan on Thursday, 15 June 2006 at 10.00 a.m. and at any adjournment thereof.

NO	RESOLUTIONS	FOR	AGAINST
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2005 and the Reports of the Directors and Auditors thereon.		
2.	To approve a final net dividend of 4 sen per share for the financial year ended 31 December 2005.		
3.	To re-elect Dato' Chong Ket Pen who is retiring pursuant to Article 70 of the Company's Articles of Association.		
4.	To re-elect Puan Azliza binti Ahmad Tajuddin who is retiring pursuant to Article 70 of the Company's Articles of Association.		
5.	To re-appoint Messrs. Ernst & Young as auditors of the Company and authorise the Directors to fix their remuneration.		
6.	Authority to Issue Shares.		
7.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature.		
8.	Proposed Renewal of Share Buy-back Authority.		

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

Signed this _____ day of _____, 2006

Number of shares held

Signature of Shareholder or Common Seal

Notes:

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

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STAMP

The Company Secretaries

PROTASCO BERHAD (548078-H)

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

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