

CREATING POSSIBILITIES

ENGINEERING TOMORROW



ANNUAL REPORT

2017



PROTASCO BERHAD

1430718-H



COVER RATIONALE

One of Protasco Berhad's strategies in committing to sustainable development is through emphasising cooperation within its organisation. This spirit is clearly visualised on the cover of its Annual Report 2017 where icons of its areas of businesses are embodied within the organisation's logo representing their roles in supporting each other.

We are actively contributing to social well-being, environmental balance and economic progress as mapped out in our strategic business blueprint.

Our commitment goes beyond the bottom line and points towards more ambitious goals of creating shared value in the long term for society.

We are Protasco, setting sustainability in motion.



RESULT ORIENTED

- Stretch - Good to great
- Innovate
- Commitment



OWNERSHIP

- Accountable for outcomes
- Passionate in task execution
- Take pride - I Am Protasco



CUSTOMER FOCUSED

- WOW them
- Create value
- Respect



KNOWLEDGE DRIVEN

- Knowledge sharing
- Continual education
- Career development



INTEGRITY

- Do the right thing
- Trustworthy
- Transparent



TEAMWORK

- Robust communication
- Committed to team decisions
- Active participation

CORE VALUES

TABLE OF CONTENTS



VISION

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

MISSION

SHAREHOLDERS

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

PROCESS

To practise good corporate governance and operational excellence

CUSTOMERS

To exceed customer expectations

SOCIETY

To build and support sustainable communities

TECHNOLOGY

To improve efficiency and competitive advantage through innovative technologies

EMPLOYEES

To become the employer of choice for the right talents

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CORPORATE INFORMATION



BOARD OF DIRECTORS

Tan Sri Datuk Dr Hadenan Bin A Jalil

Chairman

Independent Non-Executive Director

Dato' Sri Ir Chong Ket Pen

Executive Vice Chairman/

Group Managing Director

Dato' Sri Su-Azian @

Muzaffar Syah Bin Abd Rahman

Executive Director

Dato' Mohd Hanif Bin Sher Mohamed

Independent Non-Executive Director

Dato' Tan Yee Boon

Independent Non-Executive Director

Ir Tan Heng Kui

Non-Independent Non-Executive Director

Suhaimi Bin Badrul Jamil

Independent Non-Executive Director

Lim Yew Ting

Independent Non-Executive Director

Tham Wei Mei

Independent Non-Executive Director

COMPANY SECRETARIES

Khor Hooi Ling

(MAICSA 7014879)

Seow Fei San

(MAICSA 7009732)

REGISTERED OFFICE

802, 8th Floor

Block C, Kelana Square

17, Jalan SS7/26

47301 Petaling Jaya

Selangor Darul Ehsan, Malaysia

Tel : 603 7803 1126

Fax : 603 7806 1387

PRINCIPAL OFFICES

Corporate Office

Unipark Suria, Jalan Ikram-Uniten

43000 Kajang

Selangor Darul Ehsan

Malaysia

Tel : 603 8738 3388

Fax : 603 8926 4008

Kuala Lumpur Office

87, Jalan Kampung Pandan

55100 Kuala Lumpur

Malaysia

Tel : 603 9286 4050

Fax : 603 9284 8118

Web : www.protasco.com.my

Email : ccd@protasco.com.my

REGISTRAR

Symphony Share Registrars Sdn Bhd

Level 6, Symphony House

Block D13, Pusat Dagangan Dana 1

Jalan PJU 1A/46

47301 Petaling Jaya

Selangor Darul Ehsan

Malaysia

Tel : 603 7841 8000

Fax : 603 7841 8151/8152

PRINCIPAL BANKERS

UOB (Malaysia) Berhad

RHB Bank Berhad

OCBC Bank (Malaysia) Berhad

AmBank (M) Berhad

CIMB Bank Berhad

AUDITORS

Crowe Horwath (AF 1018)

Chartered Accountants

Level 16, Tower C, Megan Avenue II

12, Jalan Yap Kwan Seng

50450 Kuala Lumpur

Malaysia

STOCK EXCHANGE LISTING

Main Board

Bursa Malaysia Securities Berhad

Listed Since : 8 August 2003

Stock Name : PRTASCO

Stock Code : 5070

CORPORATE STRUCTURE



100% HCM ENGINEERING SDN BHD

100%
HCM (L) Bhd

100%
Infra Water Sdn Bhd

78%
HCM Arabia Sdn Bhd

70%
Permint Granite-HCM
Sdn Bhd

60%
HCM-Molek JV
Sdn Bhd

60%
HCM Kijang Sdn Bhd

51%
Roadcare (M)
Sdn Bhd

51%
Empayar Indera
Sdn Bhd

49%
KPS-HCM Sdn Bhd

100% KUMPULAN IKRAM SDN BHD

100%
Ikram Education
Sdn Bhd

100%
Ikram Engineering
Services Sdn Bhd

100%
Ikram QA Services
Sdn Bhd

100%
Ikram Paves Sdn Bhd

60%
Kumpulan Ikram
(Sarawak) Sdn Bhd

60%
Kumpulan Ikram
(Sabah) Sdn Bhd

30%
Ikram Premier
Consulting
Sdn Bhd

30%
Ikram Engineering
Consulting Sdn Bhd

100% PROTASCO DEVELOPMENT SDN BHD

100%
De Centrum
Development Sdn Bhd

100%
De Centrum Land
Sdn Bhd

100%
Protasco Land
Sdn Bhd

100%
Protasco
Land SA
(Pty) Ltd

100%
Sun Rock
Development
Sdn Bhd

60%
Jalur Saujana
Sdn Bhd

100% PROTASCO TRADING SDN BHD

100%
QP Industries
Sdn Bhd

100%
QP Trading Sdn Bhd

100% IKRAM GREENTECH SDN BHD

51%
I2 Energy Sdn Bhd
(formerly known as
Ikram Infra Bina
Sdn Bhd)

44%
I2 Solarpark One
Sdn Bhd
(formerly known as
KI Northern Services
Sdn Bhd)

Note: This structure depicts main operating subsidiaries and associate companies only.

CORE BUSINESS DIVISIONS



Protasco Berhad was listed on the Main Board of Bursa Malaysia on 8 August 2003. It possesses a rich history of engineering excellence with more than two decades of experience in various fields. Starting with soil testing and training provision, it has diversified into various engineering and infrastructure specialties such as road maintenance, construction and property development.

Leveraging on its technological strength, experienced workforce and dedication to excellence, Protasco has steadily developed into an integrated infrastructure centre.

CORE BUSINESS DIVISIONS



MAINTENANCE

Protasco Berhad is the largest provider of private road maintenance services in Malaysia, with concessions over federal, state, agricultural and rural roads. It has been delivering sustainable and environmentally friendly technology and services for more than two decades. Road maintenance is the Group's biggest revenue contributor.

For more information, please refer to page 11



CONSTRUCTION

Protasco's construction expertise lies in the design, construction, upgrading and rehabilitation of roads, bridges and buildings. We have built roads and buildings both locally and overseas, and have completed more than RM2.7 billion worth of works. We are a contractor for both the Government of Malaysia and the private sectors. Our projects include the Perumahan Penjawat Awam 1Malaysia (PPA1M) Phases 1, 2, 3 and 4 in Federal Territory of Putrajaya and a bridge linking Old Klang Road with the New Pantai Expressway (NPE) across Sg Klang.

For more information, please refer to page 14



PROPERTY DEVELOPMENT

Protasco's jewel in the crown is the De Centrum City, a 100-acre freehold development with a GDV of almost RM10 billion over a 20-25 year span. It is the Group's first mixed development project consisting of residential, commercial, educational and modern lifestyle attractions. De Centrum City projects have received awards for Best Mixed Development in Malaysia and Best Boutique Lifestyle Development from Property Insight's Prestigious Developer Awards in 2015 and 2016 respectively. Moving forward, the division is looking into providing smart homes.

For more information, please refer to page 16



ENGINEERING & CONSULTANCY SERVICES

Protasco remains a trusted partner of the Government of Malaysia, local authorities and GLCs in the areas of engineering and consultancy services. Kumpulan Ikram Sdn Bhd has signed Master Service Agreements with the Government of Malaysia, the Datuk Bandar Kuala Lumpur and Tenaga Nasional Berhad to provide them with forensic engineering services on slopes and slope related structures, engineering services, and capacity building works.

For more information, please refer to page 18



TRADING & MANUFACTURING

The trading arm of Protasco Berhad complements the Maintenance, Construction and Property Development Divisions of the Group. It specialises in construction products, materials and equipment, petroleum based products and highway safety products and equipment.

For more information, please refer to page 20



EDUCATION

For more than 20 years, Infrastructure University Kuala Lumpur ("IUKL") has been providing quality education and excellent professional services in various study fields. It offers programmes from foundation to post graduate. The University strives to be recognised as an excellent full-fledged institution and placed amongst the top ranking private universities in Malaysia.

For more information, please refer to page 21



CLEAN ENERGY

Clean energy is Protasco Berhad's newest venture. We partner Icon Energy Sdn Bhd, a SME Top 100 company, to provide services encompassing regulatory and compliance, engineering, procurement, construction & commissioning, operations & maintenance and financing.

For more information, please refer to page 22

GROUP FINANCIAL HIGHLIGHTS



TURNOVER
RM939.3 MILLION



OPERATING PROFIT
RM28.1 MILLION



TOTAL DIVIDEND PER SHARE
5.5 SEN*



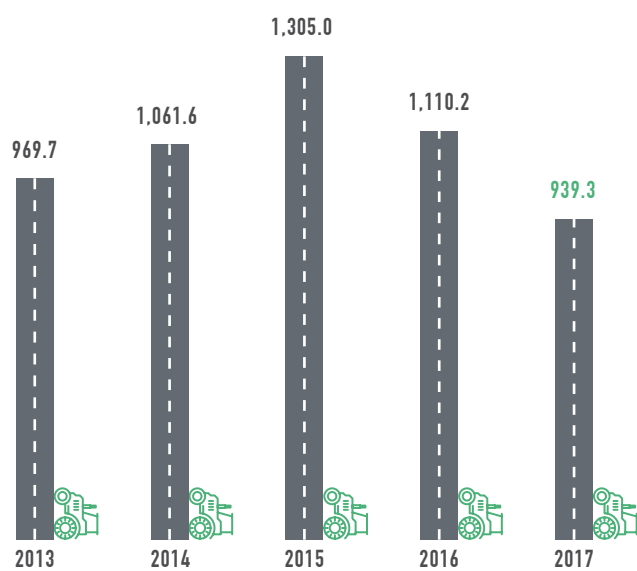
NET ASSETS PER SHARE
RM0.93

Year Ended 31 December	2013	2014	2015	2016	2017
Turnover (RM'000)	969,706	1,061,573	1,305,030	1,110,207	939,277
Operating Profit (RM'000)	48,173	57,103	66,757	42,387	28,063
Profit/(Loss) After Tax & Non-Controlling Interest (RM'000)	48,173	(46,444)	66,757	42,387	28,063
Earnings/(Loss) Per Share (sen)	12.26	(11.12)	16.17	10.04	6.62
Total Dividend Per Share (sen)	10.0	5.0	13.0	6.0	5.5*
Net Assets Per Share (RM)	1.23	0.99	1.12	0.93	0.93

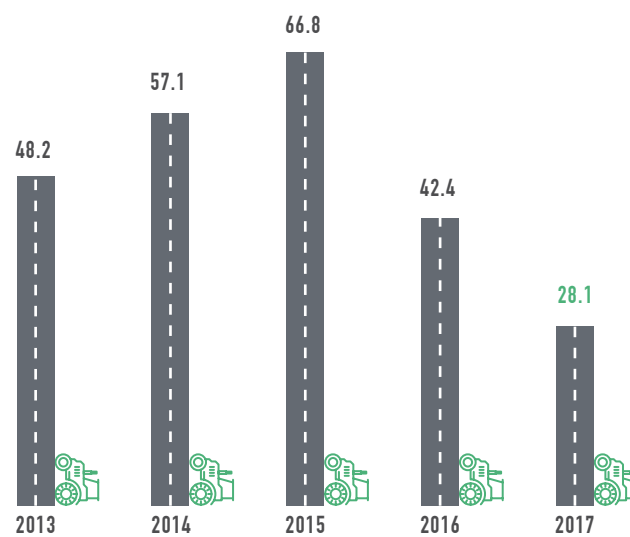
* Including a second dividend of 2.5 sen per ordinary share in respect of the financial year ended 31 December 2017, based on the enlarged share capital after the bonus issue of shares, which will be paid on 3 July 2018.

GROUP FINANCIAL HIGHLIGHTS

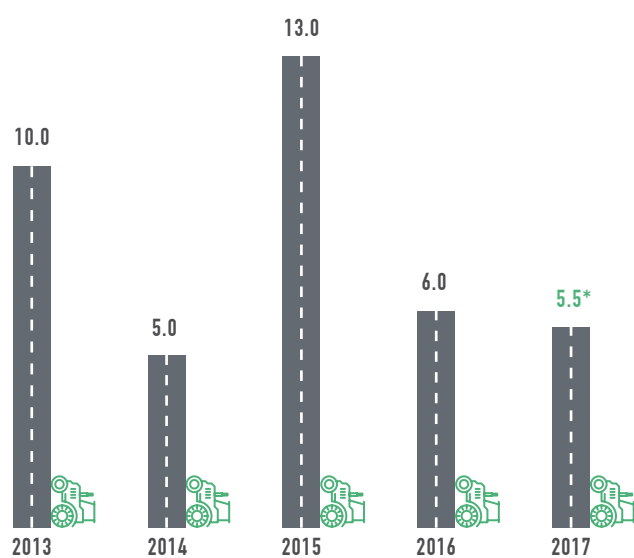
TURNOVER (RM MILLION)



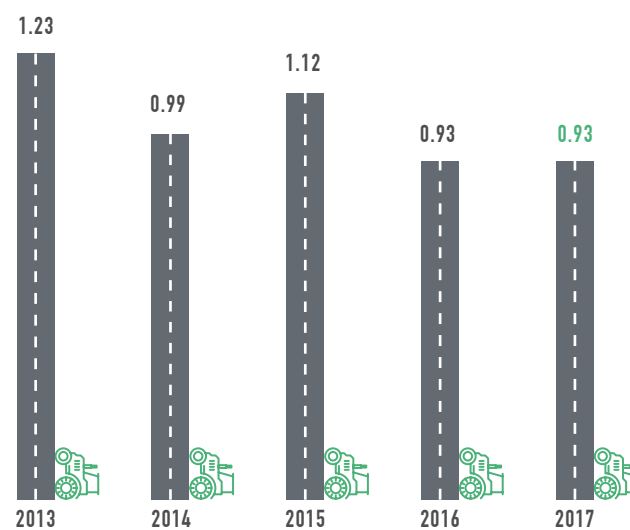
OPERATING PROFIT (RM MILLION)



TOTAL DIVIDEND PER SHARE (SEN)

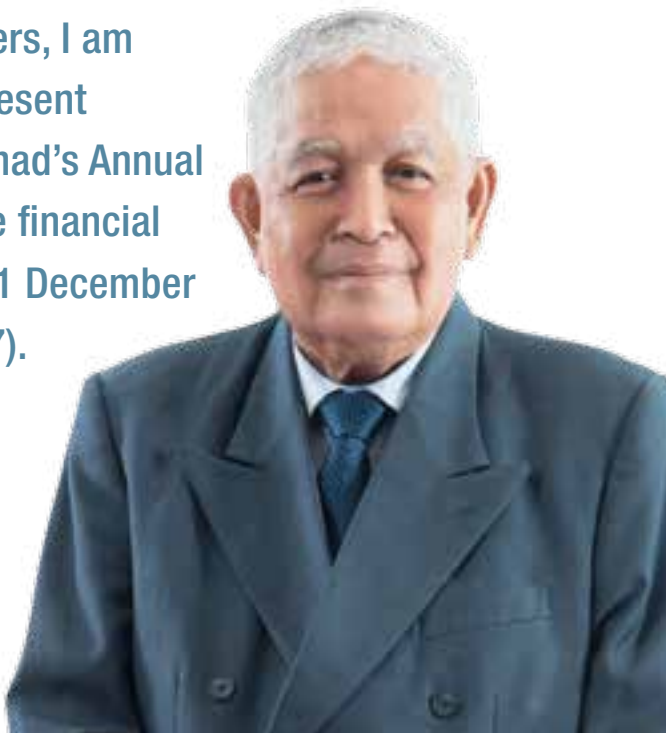


NET ASSETS PER SHARE (RM)



CHAIRMAN'S STATEMENT

Dear Valued Shareholders,
On behalf of my fellow Board Members, I am pleased to present Protasco Berhad's Annual Report for the financial year ended 31 December 2017 (FY2017).



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

The Malaysian economy has performed well despite external economic factors, such as the US Federal Reserve's policy of normalising interest rates and weaker-than-expected growth in key OECD economies. In 2017, major Asian economies saw moderate growth, lifted by domestic demand.

Malaysia has remained resilient due to a diversified production and export base, strong balance sheet position, flexible exchange rate, responsive macroeconomic policies and robust financial markets. Malaysia's economy performed better than expected, with real GDP supported by stronger domestic demand on the back of advances in investment and consumption, and bolstered by demand for exports.

FINANCIAL PERFORMANCE

Amid this backdrop, the Protasco Group saw a commendable performance in FY2017, maintaining its continued profitability despite key challenges affecting our main operating segments. This includes the Government's fiscal rationalisation which aims to achieve a balanced budget by 2020, which has moderated Government expenditure on maintenance and infrastructure development. In the property market, the rising cost of living and tighter lending guidelines were key challenges which affected sentiment.

With lower contributions from our Construction and Property Development segments, the Group posted a revenue of RM939 million, against RM1.1 billion in FY2016. Our Construction segment delivered Phase 1 of Perumahan Penjawat Awam 1Malaysia (PPA1M) Putrajaya in Q1 of 2017, which lowered its contribution to revenue. Interest costs incurred as well as cost overrun for certain ongoing projects also affected the performance of this segment. Another factor was the delay in commencing PPA1M Phase 2, which started in Q2 of 2017. With softer sentiment prevailing in the property market and stringent lending policies imposed by financial institutions, we took a wait-and-see stance in FY2017 and rescheduled our property developments launches. This move is expected to benefit us in FY2018 and thereafter as the property market recovers in tandem with national and global economies. The Group is expected to launch two projects outside the Klang Valley in FY2018 to tap into the niche markets at Pasir Gudang, Johor and Kota Bharu, Kelantan.

Profit before taxation ("PBT") declined by 9.3% to RM70.3 million, due to the factors above but partially offset by the improved performance in our Maintenance and Engineering & Consultancy Services segments.

For further analysis of our Group's financial performance, please refer to the Management Discussion & Analysis on pages 10 to 23 of this report.

OVERVIEW

We are pleased to report that in Q3 of 2017 to Q1 of 2018, we saw the following achievements:

- Roadcare (M) Sdn Bhd ("Roadcare") executed an Interim Agreement with the Government of Malaysia for a period of two years plus an extension of another eight years based on performance based contract (PBC). In February 2018, Roadcare signed another Interim Agreement with the Government of Malaysia for the extension of the maintenance to May 2018. We are

CHAIRMAN'S STATEMENT

pleased to announce that the extension of the maintenance contract was executed on 5 April 2018 for the extension of another eight years expiring in February 2026.

- Empayar Indera Sdn Bhd ("EISB") has been awarded by the State Government of Perak both routine and periodic maintenance works for state roads in the State of Perak for a period of 5 years until December 2024 with an extension of another two years until December 2026. The award is an extension of the existing maintenance contract with the State Government of Perak, which is expiring in December 2019.
- EISB has also been awarded by the State Government of Perak both routine and periodic maintenance works for agriculture roads in the State of Perak for a period of five years until February 2024 with an extension of another two years until February 2026. The award is an extension of the existing maintenance contract with the State Government of Perak, which is expiring in February 2019.
- DAL HCM Sdn Bhd entered into a Concession Agreement with the Government of Malaysia for the maintenance of 751km of federal roads from Kuching to Lawas in Sarawak. This concession will be effective from September 2018 for ten years until 2028 and covers almost double the road length currently maintained by HCM Engineering Sdn Bhd. DAL HCM Sdn Bhd is a special purpose vehicle to undertake the concession in Sarawak, where HCM Engineering Sdn Bhd holds a 30% equity interest in the company.
- Our Construction segment together with KOP Mantap Berhad, was awarded Phase 4 of the PPA1M valued at RM443 million. Located at Precinct 19 in the administrative capital of Putrajaya, construction is scheduled to commence in Q4 of 2018.



 Site of Pulau Indah Industrial Park

- KPS-HCM Sdn Bhd, our 49% associated company, was awarded infrastructure works for the development of Pulau Indah Industrial Park, Phase 3C by Central Spectrum (M) Sdn Bhd, a subsidiary company of Kumpulan Hartanah Selangor Berhad. The contract sum awarded is RM174.4 million and construction has reached 21% as at the end of FY2017.

LOOKING FORWARD

In 2014, Protasco Group created and implemented its Business Strategy Framework with the aim of achieving RM100 million PATANCI in 2020. While valuable in guiding our direction, the framework required a review following the challenging economic landscape that emerged in the aftermath of the 2015-2016 oil price crash. Building upon the framework, in 2017, we endorsed a new blueprint to realign and reposition us towards achieving this goal.

We are confident that we will maintain our track record of profitability and as always are committed to delivering value to our loyal shareholders.

A WORD OF APPRECIATION

On behalf of the Board, I welcome Ms Tham Wei Mei to the Board of Protasco. I am confident that her experience will complement that of the current Board Members.

I would like to take this opportunity to record my appreciation to my colleagues on the Board for their invaluable insights and contributions to Protasco. I would also like to thank the management team for all the hard work and dedication towards achieving another profitable year in this challenging business environment.

Lastly, my gratitude goes out to our valued shareholders for their patience and support despite the challenges faced by the Group. We look forward to a better year in 2018.

Tan Sri Datuk Dr Hadenan Bin A Jalil
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS



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

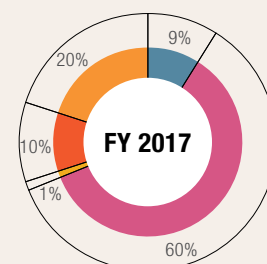
REVIEW OF FY2017

For FY2017, the Group's revenue decreased 15.3% to RM939.3 million from RM1.1 billion in FY2016. The decrease was mainly due to lower contributions from our Construction and Property Development segments. The performance of our Construction segment was affected by the completion of Perumahan Penjawat Awam 1Malaysia (PPA1M) in Q1 2017. Furthermore, the interest costs incurred on PPA1M Phase 1 from the completion date to full settlement of the financing and cost overrun for certain ongoing projects have further deteriorated the performance of this segment. The delay in commencement of PPA1M Phase 2, which started in Q2 of 2017 has also resulted in lower contribution to the Construction segment. In respect of our Property Development segment, we did not launch any new development due to the softening property market and stringent lending policy imposed by the financial institutions. This segment is expected to launch two projects outside the Klang Valley in FY2018 to tap into the niche markets in Pasir Gudang, Johor and Kota Bharu, Kelantan.

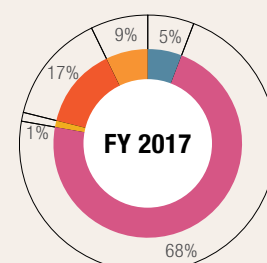
Profit before taxation declined by 9.3% to RM70.3 million, due to the factors above but partially offset by the improved performance in our Maintenance and Engineering & Consultancy Services segments.

PATANCI declined by 33.8% to RM28.1 million, due to higher non-controlling interests in our Maintenance segment.

REVENUE CONTRIBUTIONS



PROFIT BEFORE TAX



■ Construction ■ Maintenance ■ Property Development
■ Engineering ■ Trading, Education & Clean Energy

Our cash and cash equivalents improved to RM214.1 million in FY2017 as compared to RM154.7 million in FY2016, due to the proceeds received from the purchasers' end financiers for the PPA1M Phase 1. The proceeds also enabled us to fully settle the project financing for the PPA1M Phase 1, thereby surplus cash over borrowings.

Despite the current performance in FY2017, we continue to deliver our commitment of creating shareholders' value. In this respect, we declared a first dividend of 3 sen which was paid in January 2018. The Board has approved the payment of second dividend of 2.5 sen, based on the enlarged share capital after the bonus issue of shares, to be paid on 3 July 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVISIONAL REVIEW

MAINTENANCE



Protasco is the largest private road maintenance service provider in Malaysia, maintaining over 10,000km of federal and state roads and over 15,000km of rural roads. Our Maintenance segment provides routine, periodic and emergency works.

Routine maintenance works have been defined in the agreements which includes tasks such as landscaping, maintenance of pavements and road shoulders; and cleaning of drainage, road furniture, bridges and culverts.

Periodic maintenance includes pavement strengthening and preventive maintenance to address specific issues within the concession.

Emergency maintenance, meanwhile, is providing rapid response to emergency situation such as floods, landslides, bridge and collapses.

REVIEW OF OPERATIONS

The Maintenance segment revenue and profit before taxation ("PBT") improved to RM558.9 million (FY2016: RM489.0 million) and RM56.5

million (FY2016: RM36.8 million) respectively. The improved results are attributed to the following factors:

- Full year contribution from Roadcare's federal concession following its renewal in February 2016;
- Full year contribution from the State road periodic maintenance contract in Kelantan, which was secured in August 2016; and
- Agriculture and rural roads maintenance contracts secured for the state of Perak and Terengganu respectively during the financial year.

In February 2016, Roadcare executed an Interim Agreement with the Government of Malaysia for a period of two years plus an extension of another eight years based on performance based contract (PBC). In February 2018, Roadcare signed another Interim Agreement with the Government of Malaysia for the extension of the maintenance to May 2018. We are pleased to announce that the extension of the maintenance

contract was executed on 5 April 2018 for the extension of another eight years expiring in February 2026.

Empayar Indera Sdn Bhd ("EISB") has been awarded by the State Government of Perak both routine and periodic maintenance works for state roads in the State of Perak for a period of five years until December 2024 with an extension of another two years until December 2026. The award is an extension of the existing maintenance contract with the State Government of Perak, which is expiring in December 2019.

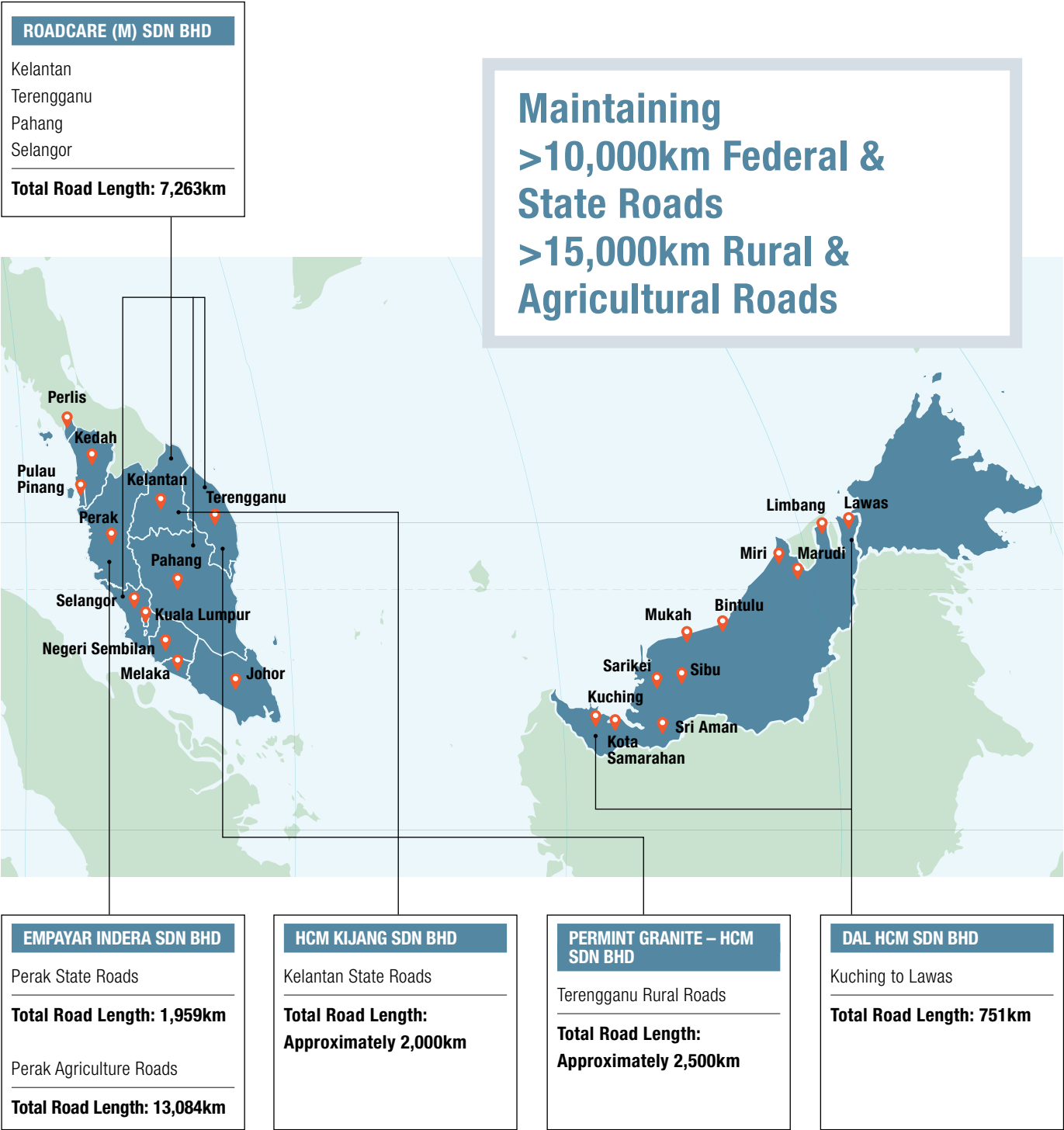
EISB has also been awarded by the State Government of Perak both routine and periodic maintenance works for agriculture roads in the State of Perak for a period five years until February 2024 with an extension of another two years until February 2026. The award is an extension of the existing maintenance contract with the State Government of Perak, which is expiring in February 2019.

In February 2018, DAL HCM Sdn Bhd entered into a Concession Agreement with the Government of Malaysia for the maintenance of 751km of federal roads from Kuching to Lawas in Sarawak. This concession will take effect from September 2018 for ten years until 2028 and covers almost double the road length currently maintained by HCM Engineering Sdn Bhd. DAL HCM Sdn Bhd is a special purpose vehicle to undertake the concession in Sarawak, where HCM Engineering Sdn Bhd holds a 30% equity interest in the company.

Upon securing the above, our current order book for the Maintenance segment stands at RM5.3 billion, which will provide sustainable revenue for this segment until 2028.

MANAGEMENT DISCUSSION AND ANALYSIS

FEDERAL, STATE & RURAL ROADS MAINTENANCE



MANAGEMENT DISCUSSION AND ANALYSIS

CONCESSIONS FEDERAL ROAD MAINTENANCE (FRM)

A 10-year FRM concession of 7,263km commencing from February 2016



- 51% equity.
- Routine maintenance - recurring RM130 million per annum.
- Periodic maintenance and emergency works - based on actual work carried out (estimated to be RM100 - RM120 million per annum).
- Covering the states of Selangor, Pahang, Kelantan and Terengganu.

This concession expires in February 2026.

Renewal: A 10-year FRM concession of 751km commencing from September 2018



- DAL HCM JV
- Routine maintenance - recurring RM24 million per annum.
- Periodic maintenance and emergency works - approximately RM55 million per annum.
- Covering federal roads from Kuching to Lawas in Sarawak.

This concession expires in August 2028.

LONG TERM CONTRACTS (LTC)

STATE/AGRICULTURE ROADS

1. A 7-year contract follow by a 5-year contract with an extension of another 2 years for 1,959km, State Road Maintenance for the State of Perak.

Awarded by the State Government of Perak

Contract sum: RM126.1 million for 2 years

Date of commencement: 1 January 2013

Empayar Indera Sdn Bhd (51% equity)

This LTC expires in December 2024



2. A 2-year contract follow by a 5-year contract with an extension of another 2 years for 13,084km, Agriculture Road Maintenance for the State of Perak.

Awarded by the State Government of Perak

Contract sum: RM90.1 million for 2 years

Date of commencement: 20 February 2017

Empayar Indera Sdn Bhd (51% equity)

This LTC expires in February 2024



STATE/RURAL ROADS

3. A 10-year contract of State Road Maintenance for the State of Kelantan.

Awarded by Kijang Kuari Sdn Bhd/the State Government of Kelantan

Contract sum: RM25.7 million for 2 years or RM129 million for 10 years (contract sum is reviewed every 2 years)

HCM Kijang Sdn Bhd (60% equity)

This LTC expires in August 2026



4. A 5-year contract of Rural Road Maintenance for the State of Terengganu.

Awarded by the State Government of Terengganu

Contract sum: RM49.9 million for 5 years

Permint Granite-HCM Sdn Bhd (70% equity)

This LTC expires in April 2022



DIVISIONAL RISKS

Our road maintenance activities are dependent on numerous factors including the Government's budget for periodic maintenance, the occurrence of events that require additional emergency maintenance and the success of our bids for new and renewal of contracts and concessions. For detailed information about the risks that we face, please turn to our Statement on Risk Management and Internal Control on page 60 of this report.

MOVING FORWARD

Our maintenance segment will continue to bid on road maintenance contracts including state, municipal and other rural roads.

Our maintenance tender book presently stands at over RM1 billion, and we are confident of winning some bids.

MANAGEMENT DISCUSSION AND ANALYSIS

CONSTRUCTION



Our Construction activities, spearheaded by HCM Engineering Sdn Bhd, focus on the design, construction, upgrading and rehabilitation of roads, bridges, buildings and pavements.

Our Construction segment completed and delivered the PPA1M Phase 1, comprising 1,688 units of affordable homes in March 2017, eight months ahead of schedule. We commenced Phase 2 of the PPA1M in Q2 of 2017 and completed the piling works as at the end of FY2017. Building works commenced in early 2018 and is expected to contribute positively to the bottom line for FY2018. As at to date, PPA1M Phase 2 has reached 19% completion. In respect of Phase 3 of PPA1M, all designs and building plans have been submitted to the local authorities and we expect to formalise an agreement with Putrajaya Corporation in the third quarter of 2018.

In December 2017, our Construction segment together with KOP Mantap Berhad, was awarded Phase 4 of the PPA1M valued at RM443 million. Located at Precint 19 in the administrative capital of Putrajaya, construction is scheduled to commence in Q4 of 2018.

KPS-HCM Sdn Bhd, our 49% associated company, was awarded infrastructure works for the development of Pulau Indah Industrial Park, Phase 3C by Central Spectrum (M) Sdn Bhd, a subsidiary company of Kumpulan Hartanah Selangor Berhad. The contract sum awarded is RM174.4 million and as at the end of FY2017, the construction has reached 21%.

MANAGEMENT DISCUSSION AND ANALYSIS

During FY2017, our Construction segment completed the construction of a four-storey office building for the Asian Football Confederation and the road connection work on the Old Klang Road – New Pantai Expressway.

On the overseas front, we have successfully completed the Mawa and Janjira approach roads in Bangladesh, totalling approximately RM732 million. Although our Construction segment only provided project management and consultancy to our joint venture partner, Abdul Monem Limited (AML), it has nevertheless contributed positively to the bottom line of this division. Current on-going construction work includes the SASEC approach road, valued at approximately RM323 million. This project is also undertaken jointly with AML.

REVIEW OF OPERATIONS

Turnover for our Construction Division declined from RM547.3 million in FY2016 to RM179.4 million in FY2017. Correspondingly, PBT declined to RM4.2 million in FY2017 from RM31.7 million a year ago.

The lower contribution is attributable to the following:

- Completion of PPA1M Phase 1 in March 2017 and slight delay in the commencement of PPA1M Phase 2 due to land transfer from the Federal Land Commissioner to Putrajaya Corporation;
- Additional interest costs incurred on PPA1M Phase 1 from the completion date to the full repayment of the project financing; and
- Cost overrun for certain ongoing projects.

DIVISIONAL RISKS

Our construction activities depend on numerous factors including the general economic climate of the country, as an overall slowdown will result in lower demand for construction works. Other factors that may affect the profit contribution of our Construction segment include, the cost of raw materials, labour and availability. For more detailed information about the risks that we face, please turn to our Statement on Risk Management and Internal Control on page 60 of this report.

MOVING FORWARD

Our Construction segment has completed projects valued over RM3.3 billion. With our current order book of RM1.1 billion, our Construction segment will be busy for the next two years. Nevertheless, we aim to replenish our order book by at least RM500 million annually.

We have bid for over RM5 billion worth of jobs, both in the area of highway and infrastructure as well as civil servant housing and building projects.

With our strong footing in Bangladesh, we aim to leverage our expertise for road construction and pavement recycling works there.



MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT



Our Property Development segment focussed on the development of De Centrum City, a 100-acre freehold development located in south Kuala Lumpur. With approximately 79 acres still undeveloped, De Centrum City is estimated to generate a Gross Development Value (“GDV”) of approximately RM10 billion when fully developed over a span of 20 to 25 years. The completed developments under De Centrum City are:

- 20-storey Unipark Condominium comprising two blocks (Block A and B) with GDV of RM72.7 million;
- De Centrum Phase 1 comprising 320 apartment units, 192 SOHO units, 54 shops and a retail mall with GDV of RM280 million; and
- De Centrum Phase 2A comprising two condominium blocks (Block C and D) with 240 apartment units and 80 duplex units with GDV of RM220 million.

Since then, there have been no new developments launched due to the overall slowdown in the property market (especially in the Klang Valley Region) and more stringent lending policies of the financial institutions.

Apart from De Centrum City, our landbanks include 14.5 acres in Pasir Gudang, Johor and 6.7 acres in Sandakan, Sabah.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Our Property Development segment reported PBT of RM1.4 million (FY2016: RM7.5 million) on the back of RM4.1 million (FY2016: RM60.6 million) in revenue. The drop in both revenue and PBT are attributed to the following factors:

- No new development launched during FY2017. The revenue generated are from the current inventories; and
- Interest costs incurred on its Investment Properties.

In September 2017, we had the soft launch of Sentrio, comprising 66 units of two to three storey shop offices. Located in the industrial area of Pasir Gudang, Johor, it has a total GDV of RM66 million. Bookings have been encouraging and construction is expected to commence at the end of the third quarter of 2018.

Another project in the pipeline will be apartment buildings at Telipot in Kota Bharu, Kelantan. This development will comprise 568 units of apartments and 15 units of retail lots with combined GDV of RM160 million. We are currently awaiting the approval the Advertising Permit and Developers License and we expect to launch by Q2 2018. The project is a 60:40 joint venture between our Property Development unit and the Kelantan Strategic Economic Development Corporation.

DIVISIONAL RISKS

The performance of our Property Development segment is dependent on consumer demand for new units. Factors such as economic conditions and lending policies will have a direct impact on consumer appetite for property investment and by extension, on the contribution from our property sales. Our property activities are also affected by general risk factors. For more detailed information about the risks that we face, please turn to our Statement on Risk Management and Internal Control on page 60 of this report.



MOVING FORWARD

On an annual basis, activities in the housing market have shown some improvements. Total housing transaction volume recorded a smaller contraction of 4.2% (Q2 2017: -8.4%) with 47,501 units of houses being transacted in Q3 2017. The value of housing transaction also showed signs of improvement, recording a positive annual growth of 8.9% (Q2 2017: -1.5%). The improvement was contributed largely by transactions of houses priced at RM500,000 and above. House prices (as measured by the Malaysian House Price Index) continued to increase at a moderate annual pace of 6.8% in Q2 2017 (Q1 2017: +6.7%), well below previous peaks observed during the 2012-2013 period (average growth of 12.3%).

Borrowers continued to have access to home financing, especially first-time house buyers. The growth in outstanding house financing increased to 8.9% (Q3 2017: +8.8%), while the overall housing loan approval rate for the purchase of houses priced below RM500,000 remained high at 72.3% (Q3 2017: 73.9%).

(Source: Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2017, Bank Negara Malaysia)

Based on the above statistics, we recognise that the demand for houses priced below RM500,000 remain strong. As a boutique developer, we aim to innovate our products to make them affordable. To this effect, we are planning to launch our Lifestyle Suite under De Centrum Phase 3A & 3B in 2nd half of 2019. This development will comprise 1,600 units of suites with total GDV of RM550 million. These suites will range between 550 sf to 650 square feet, and will be priced below RM400,000 per unit.

We also recognise that the demand for mass housing development outside the Klang valley is still good. We are on the lookout for joint ventures and/or acquisition of development land outside Klang Valley to diversify and avoid an over-dependence on De Centrum City.

MANAGEMENT DISCUSSION AND ANALYSIS

ENGINEERING & CONSULTANCY SERVICES



Protasco, through Kumpulan Ikram Sdn Bhd and its subsidiaries and associated companies, provides engineering solutions in the areas of geotechnical, pavement, structural, material certification and forensic engineering.

Our Engineering & Consultancy segment is recognised in the industry as a leading specialist in the areas of forensic engineering and investigation on slope and structural failures.

We have been entrusted by the Government of Malaysia, through the Master Service Agreement executed in January 2016, to provide forensic engineering services on slopes and slope related structures. This contract, which will expire in January 2019, with an option of renewal for another two years, is valued at RM25 million annually, subject to annual consumption by the government.

Our agreement with Datuk Bandar Kuala Lumpur (DBKL) was further extended in November 2017 and will now expire in November 2020, with an option of renewal for another two years. We provide engineering services and capacity building to DBKL, with an average turnover of RM10 million per annum, subject to actual consumption by DBKL.

We also have an agreement to provide engineering and capacity building services to Tenaga Nasional Berhad (TNB). This agreement is renewable annually, with an average turnover of RM10 million per annum subject to annual consumption by TNB.

MANAGEMENT DISCUSSION AND ANALYSIS

MASTER SERVICE AGREEMENTS WITH THE GOVERNMENT OF MALAYSIA & LOCAL AUTHORITIES

SCOPE OF WORK	BETWEEN	AGREEMENT PERIOD	CONTRACT VALUE
1 Forensic engineering services on slopes and slope related structures. Area covered: All slopes failure throughout Malaysia except for federal roads, privatised concession toll roads and those pending completion by the Government or Government agencies	Kumpulan Ikram Sdn Bhd & Government of Malaysia	3+2 years (January 2016 – January 2019)	RM25 million annually (subject to actual consumption)
2 Engineering Services & Capacity Building (Geotechnical, Pavement & Structural Services)	Kumpulan Ikram Sdn Bhd & Datuk Bandar Kuala Lumpur	3+2 years (November 2017 – November 2020)	RM10 million per annum (subject to actual consumption)
3 Engineering Services & Capacity Building (Geotechnical, Pavement & Structural Services)	Kumpulan Ikram Sdn Bhd & Tenaga Nasional Berhad (TNB)	Yearly renewal of contract (2017-2018)	RM10 million per annum (subject to actual consumption)



REVIEW OF OPERATIONS

Our Engineering & Consultancy segment posted total revenue of RM97.3 million for FY2017, an increase of 27% from RM76.6 million. PBT meanwhile increased to RM13.7 million in FY2017 as compared to RM2.5 million in FY2016. The uptrend is due to:

- Consultancy works from highway and transportation unit for Pan Borneo project;
- Soil investigation works carried out for certain mega projects in Malaysia; and

- Pavement evaluation works arising from several long term pavement condition assessment and consultation agreements executed in FY2016.

DIVISIONAL RISKS

Demand for our engineering & consultancy services are dependent on the overall economic environment as a slowing economy would affect any capital expansion and thus for our services. For more detailed information about the risks that we face, please turn to our Statement on Risk Management and Internal Control on page 60 of this report.

MOVING FORWARD

Kumpulan Ikram possesses a niche expertise in the area of geotechnical and geo-environmental engineering, pavement, highway and transportation engineering, structural and material engineering. With several on-going mega projects in Malaysia, we are confident of our ability to provide a total engineering solutions to these projects. We will continue to work with other highway concessionaires with the aim in securing more pavement condition assessment and evaluation agreements.

MANAGEMENT DISCUSSION AND ANALYSIS

TRADING & MANUFACTURING



Our Trading & Manufacturing segment complements and supports our Maintenance, Construction and Property Development segments by sourcing and supplying raw materials, equipment and other required resources to the segments and their sub-contractors.

Undertaken by our wholly-owned subsidiary, Protasco Trading Sdn Bhd ("PTSB") and its subsidiaries, their products are:

- Building construction materials
- Pavement related materials and machinery
- Highway safety products
- Bridge-joints
- Cold-Mix
- Bitumen and quarry products

During FY2017, this segment expanded its range of product licenses and distributorships by executing an agreement with Hitex International for the distributorship of road marking; road repair and treatments; high friction and coloured surfacing and decorative materials.

REVIEW OF OPERATIONS

Our Trading & Manufacturing segment reported higher revenue of RM194.3 million (FY2016: 171.7 million) and PBT of RM3.9 million (FY2016: RM3.1 million). The better performance was due to higher supply of pavement related products to our Maintenance segment, where PTSB acted as the main supplier to the sub-contractors of our Maintenance segment.

DIVISIONAL RISKS

Demand for our traded goods is linked to the amount of construction activity by our business partners. For more detailed information about the risks that we face, please turn to our Statement of Risk Management and Internal Control on page 60 of this report.

MOVING FORWARD

The primary role of our Trading and Manufacturing segment is to support our other segments. Prospects for this segment will improve in tandem with the others. We will also aggressively market our high margin products to improve the segment's bottom line. This segment is also exploring an expansion of trading activities beyond its traditional construction related products.

MANAGEMENT DISCUSSION AND ANALYSIS

EDUCATION



Our Education segment is undertaken under the brand Infrastructure University Kuala Lumpur (IUKL). IUKL emphasises the integration of hard and soft aspects of infrastructure development and presently offers a full range of tertiary programmes ranging from diploma to doctorate levels through six faculties:

- Engineering & Technology Infrastructure
- Architecture & Build Environment
- Business and Accounting
- Arts, Communication & Education
- Creative Media & Innovative Technology
- Applied Science and Foundation Studies

In addition to its campus at De Centrum City, IUKL also delivers its programmes via various franchise arrangements. During the FY2017, IUKL added its franchise programmes through collaboration with Southwestern Centre, Nepal to offer our post graduate programmes.

REVIEW OF OPERATIONS

Our Education segment reported total revenue of RM55.9 million (FY2016: RM57.9 million) and PBT of RM3.3 million (FY2016: RM2.4 million). While the student population decreased from 3,976 in FY2016 to 3,517 in FY2017, our Education segment sustained its level of revenue. The additional revenue was generated by our franchise programmes and training programmes conducted by our lecturers. With better cost control and management, this segment sustained its PBT level.

DIVISIONAL RISKS

The success of an education institution is dependent on its reputation as well as the demand, both local and international, for private tertiary education. We therefore make considerable efforts to establish IUKL as a university of choice for Malaysian students keen on pursuing a career in infrastructure engineering and other niche areas. To do so, we need to strive to keep our faculty and institution up to date and relevant. For more detailed information about the risks that we face, please turn to our Statement on Risk Management and Internal Control on page 60 of this report.

MOVING FORWARD

Increasing the student population remains our Education segment's main focus. Increased student population will not only enhance the revenue of our Education segment but also our Property Development segment in view of moving more traffic within De Centrum City. We are also exploring to diversify our education business downstream by providing technical courses and linguistics study. We aim to create future leaders from our students today and support the development of local Malaysian community.

Our Education segment is in discussions to offer franchise programmes in Saudi Arabia, Sudan, India, Pakistan and China.

MANAGEMENT DISCUSSION AND ANALYSIS

CLEAN ENERGY



 Solar Panels on the rooftop of IUKL building

Our Clean Energy segment, which we started two years ago, is still very much at its infant stage of development. Nevertheless, in 2017, we have made an in-road into the development of this segment. In November 2017, our Clean Energy segment, through a consortium led by Ikram Greentech Sdn Bhd, received a Letter of Acceptance of Offer for the development of large scale solar PV plant of 6.8 MW at Masjid Tanah, Melaka, subject to terms and conditions as imposed by the Energy Commission.

Our Clean Energy segment will continue to explore opportunities to secure more projects, both local and overseas, either as direct owners or engineering, procurement and construction (EPC) contractor.

OUR TRANSFORMATION JOURNEY

In 2017, we endorsed a new blueprint to realign and reposition us towards achieving our goal of RM100 million PATANCI. While we acknowledge that our Business Strategy Framework rolled out in 2014 has been disrupted by the challenging business environment, we remained committed to the new blueprint and becoming an international acclaimed conglomerate.

In response to the Bursa Malaysia's requirements, a steering committee led by Executive Vice Chairman/Group Managing Director was formed during the financial year to formulate and embed sustainability initiatives into our core business while taking steps to meet the sweeping changes on sustainability reporting. The main purpose is to devise a holistic approach to generate business continuity and manage sustainability risks and opportunities associated with our business operation.

MANAGEMENT DISCUSSION AND ANALYSIS

Additionally, we will continue with our I AM PROTASCO Management Framework to optimise efficiencies and improve our capabilities. The framework covers:

- Business process automation such as e-recruitment.
- Branding and CSR, to be part of sustainability framework.
- Human capital management, especially talent management, succession planning and wellness programmes.
- Strategic planning for each business division.
- Risk management, an important component of sustainability framework.
- Strategic cost optimisation.

CORPORATE PROPOSALS

Our shareholders approved the following proposals:

- Proposed Bonus Issue of up to 70,782,152 new ordinary shares in Protasco ("Bonus Shares") on the basis of 1 Bonus Share for every 6 existing ordinary shares in Protasco held on the entitlement date to be determined later ("Proposed Bonus Issue of Shares"); and
- Proposed Bonus Issue of up to 106,173,228 Warrants ("Warrants") on the basis of 1 Warrant for every 4 existing ordinary shares in Protasco held on the same entitlement date as the Proposed Bonus Issue of Shares.

The Bonus Shares are expected to be listed on 25 April 2018 while the warrants will be listed on 2 May 2018.

The exercise price of the warrant is fixed at RM0.75.



The Proposed Bonus Issue of Shares is to enable you to have greater participation in our Company's equity in terms of number of shares held while maintaining your percentage of equity interest in our Company. With regards to the issuance of the Warrants, our Board believes that the Warrants are part of the reward to you for your continuing support by enabling you to participate in a derivative of our Company without incurring any costs. The Warrants will further strengthen the capital base of our Company with the proceeds from the exercise of the Warrants.

LOOKING FORWARD TO 2018

While we recognised that the challenging economic condition will continue to persist, we enter 2018 with some optimism. Our FY2017 PATANCI level has reached its lowest level since 2015 and it is timely for us to recover and rebound.

We envisage our Maintenance segment continuing to be the main revenue driver of our Group, mainly supported by the Federal Concessions extended in both Peninsula Malaysia and Sarawak. With the renewal of the concession, our Maintenance order book stands at RM5.3 billion and will last us until 2028.

For our Construction segment, our Group has an outstanding order book of RM1.1 billion as at the end of FY2017 to be delivered within the next two years, which will contribute positively to our Group's earnings. We are committed to replenish our Construction order book by RM500 million annually.

We continue to focus our business effort on securing more projects in the area of construction and maintenance. Our Property Development segment will continue to launch its properties as planned. Recognising that affordable housing is the current trend amongst property developers, we will continue to innovate our products to make them affordable. This approach is possible due to our low land costs.

Barring any unforeseen circumstances, our Group is cautiously optimistic of its overall performance for FY2018 and hope to achieve business growth amidst the current economic conditions.

Thank you.

Dato' Sri Ir Chong Ket Pen

Executive Vice Chairman/
Group Managing Director

SUSTAINABILITY STATEMENT

Protasco is constantly striving towards impactful change through the adoption of various national and international agendas. Sustainability programmes focusing on economy, environment and society have been a part of Protasco's efforts to achieve sustainable growth for many years. Protasco is synonymous with enriching people's life and uplifting communities through every industry that we are involved in.



 Protasco staff volunteers at the nursery in De Centrum City.

In accordance with Bursa Malaysia's requirements, Protasco took the initiative in 2017 to formalise its commitment by formulating and embedding sustainability initiatives into our core business while taking steps to meet the sweeping changes on sustainability reporting. The main focus is to devise a holistic approach to generate business continuity and manage sustainability risks and opportunities associated with our business operations.

The content of this statement is an accurate and reliable representation of Protasco's sustainability effort, and all sustainability matters related to each of its business divisions.

SUSTAINABILITY STATEMENT

SCOPE OF STATEMENT

Reporting Period

1 January 2017 to 31 December 2017

The Sustainability Statement covers Protasco Berhad ("Protasco"), and all of its business divisions. The statement is based on the various initiatives and activities undertaken by Maintenance, Construction, Property Development, Engineering & Consultancy Services, Trading & Manufacturing, Education, and Clean Energy.

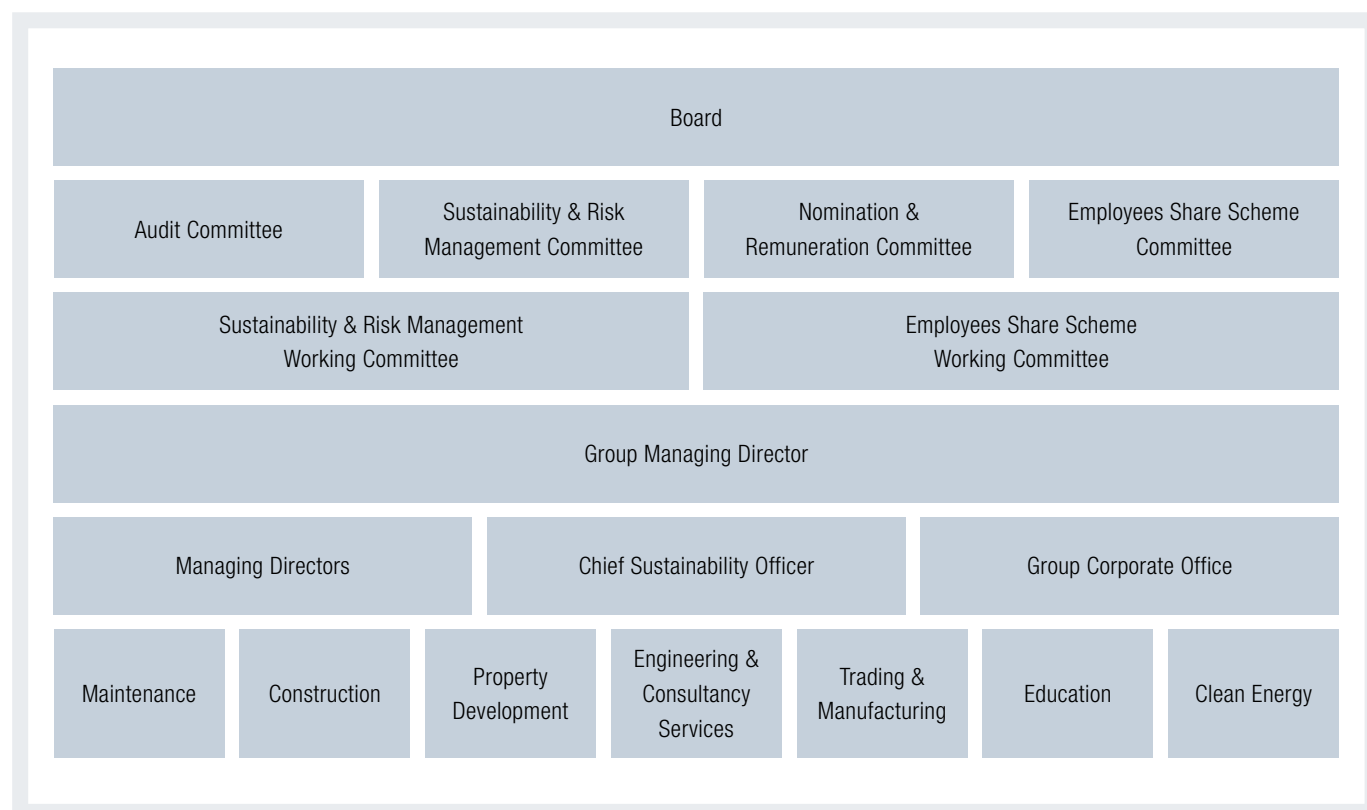
Protasco has undertaken the necessary initiatives to develop appropriate policies and frameworks for future Sustainability Reporting. Data is presented wherever possible. We would like to acknowledge efforts of all divisions in providing and compiling the necessary information.

SUSTAINABILITY POLICY

Protasco is a dynamic integrated engineering and infrastructure provider of diverse services. We are driven by engineering excellence to be an internationally acclaimed specialist solutions provider.

Protasco believes in building a better and sustainable future for our stakeholders by developing and contributing towards the people, communities, and nations that we operate in. We continually seek to achieve favourable economic, environmental, and social outcomes via our core business divisions. We also seek to ensure that strategic initiatives are systematically crafted, with due attention to our stakeholders, so as to ensure that sustainability remains an integral part of every business practice, process and project undertaken.

CORPORATE GOVERNANCE STRUCTURE



SUSTAINABILITY STATEMENT

For effective implementation, monitoring and reporting of sustainability practices and initiatives, Protasco has developed a 3-tiered committee structure.

TIER 1: STEERING COMMITTEE

COMMITTEE MEMBERS	DESIGNATION	NAME
Chairman	Group Managing Director	Dato' Sri Ir Chong Ket Pen
Vice Chairman	Managing Director	Dato' Sri Su-Azian @ Muzaffar Syah Dato' Ir Kenny Chong Ther Nen
Other Committee Members		
Road Maintenance	Chief Operating Officer	Dato' Wan Imran Wan Omar
Construction		
• Special Projects	Executive Director	Mohd Taufik Haron
• Operations	Executive Director	Ir Edward Khoo Mong Wei
Property & Infrastructure	Executive Director	Ir Edward Khoo Mong Wei
Engineering & Consultancy Services	Chief Executive Officer	Dato' Ir Tan Swee Kee
Trading & Manufacturing	Executive Director	Dato' Ronnie Yap Kee Tian
Education	President & Vice Chancellor	Prof Dr Roslan Zainal Abidin
Clean Energy	Director	Denny Chong Ther Shen
Facility Management	General Manager	Jimmy Soon Lip Sin
Information Technology Centre	Senior General Manager	Hj Muhammad Zamri Hasan
Engineering & Infrastructure	Executive Director	Benny Chong Ther Vern
Group Corporate Office	Executive Director	Low Kian Seng

The Sustainability Steering Committee is tasked with identifying sustainable business objectives, assessing materiality, delegating tasks, and determining overall scope, geographical boundaries, and entities involved.

TIER 2: WORKING COMMITTEE

COMMITTEE MEMBERS	NAME
Chief Sustainability Officer (CSO)	Low Kian Seng
Coordinator	Faisal Mohd Yunus
Document Controller	Pauziah Abu Kasim
Data Collection	Compliance Department
Data Analysis & Review	Compliance Department
Report Writing	Corporate Communication Department
Representatives from each division/department:	
• Maintenance	• Clean Energy
• Construction	• Facility Management
• Property Development	• Information Technology Center
• Engineering & Consultancy Services	• Group Corporate Office
• Trading & Manufacturing	
• Education	

TIER 3: DIVISIONAL WORKING COMMITTEE

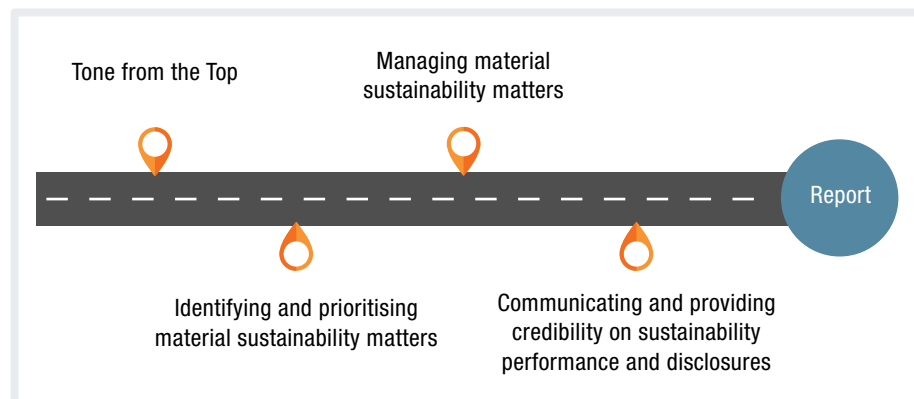
Each division has its own Divisional Working Committee, which is composed of staff who are directly involved in the day-to-day operations of the division and empowered to drive sustainability.

COMMITTEE MEMBERS

Divisional Sustainability Officer (DSO)
Deputy DSO
Coordinator
Document Controller
Data Person-in-Charge (PIC)
Committee Members

SUSTAINABILITY STATEMENT

PROTASCO BERHAD'S SUSTAINABILITY REPORTING ROADMAP



During the first phase of the Sustainability Reporting Roadmap, the top management determines the overall governance structure and the distribution of responsibilities, to ensure that sustainability is properly aligned with the company's general strategy. In addition, a commitment towards sustainability is expressed through the company's sustainability statement and the various sustainability related policies that flow from it.

IDENTIFYING AND PRIORITISING MATERIAL SUSTAINABILITY MATTERS

Each division engaged in the exercise of identifying and prioritising their key stakeholders. These stakeholders and their interests are then mapped against sustainability issues that had been identified as most material to them, and which would be focused on during the upcoming year.

List of materiality matters identified by the Protasco's divisions.

	Economic	Sustainable Business Performance Product & Quality Service	
	Environmental	Materials Procurement Waste & Effluent Methods of Construction Energy	Space Utilisation Borderless Classroom Digitisation Innovation
	Social	Safety & Security Corporate Social Responsibility Human Capital Development	Work Life Balance Compensation Benefit Board Diversity

Maintenance
 Construction
 Property Development
 Engineering & Consultancy Services
 Trading & Manufacturing
 Clean Energy
 Education
 Corporate

PROTASCO BERHAD

STAKEHOLDER PRIORITISATION AND MATERIALITY MATTERS

Stakeholders	Materiality Matters	All Divisions	Corporate Office
Investors	Business Performance	Profit After Tax Cost Optimisation	Funding Debt Collection
Customers	Customer Satisfaction	Customer Satisfaction Compliance	Operational Efficiencies
Employees	Staff Development	Succession Planning Talent Management	Succession Planning Business Continuity
Government/Local Authorities	Safety and Security	OSHE Licenses/Certifications	OSHE Compliances

The above table summarises Protasco Berhad's Stakeholders and Materiality Matters. The Materiality Matters form the basis for subsequent sustainability reporting.

SUSTAINABILITY STATEMENT

2017 SUSTAINABILITY EFFORTS

Sustainability is an inseparable component of Protasco's vision, mission and core values. Sustainability to Protasco is about ensuring growth and delivering value to our various stakeholders for a better quality of life by balancing economic, social and environmental considerations.

The vision, mission and core values of the company and its divisions demonstrate a commitment toward sustainability that is expressed in its everyday organisational culture and business practices.

The efforts of the various Protasco divisions are exhibited here under the headings of economic, environmental and social sustainability.

ECONOMIC SUSTAINABILITY



Affordable Housing Projects for First Time Buyers

The Property Development division has successfully developed and delivered to the community its affordable housing project for first time buyers. This has provided many Malaysian with the opportunity to own a house in a prime residential area at an affordable price.



De Centrum Smart City focused on being "Liveable, Efficient, Sustainable and Safe"

Another project from the Property Development division, this one emphasises smart planning and living, environmental well-being and technology-enhanced facility management.

SUSTAINABILITY STATEMENT

ENVIRONMENTAL SUSTAINABILITY

Cold-in-place-recycling (CIPR) technique

The Maintenance division has focused its R&D efforts on CIPR, a technique for the efficient utilisation of recycled materials by applying non-waste technology. With the resulting minimisation of wastage, CIPR ensures benefits for the community and for mankind generally.

CIPR WORK FOR THE YEAR 2017

COUNTRY	LENGTH OF THE OVERALL ROAD (KM)	ROAD LENGTH USING CIPR (KM)	%
Selangor	365.44	34.3	9
Pahang	159.41	8	5
Terengganu	67.6	16.7	25
Kelantan	55.29	3.4	6
Total	647.74	62.4	10

Efficient utilisation of scarce natural resources: power, energy, water and materials consumption

Solar panels have been installed on the rooftop of the Education Division's new multi-story academic block. This has greatly reduced the university's overall electricity costs.

Advocating "Reuse, Reduce & Recycling"



Venturing into clean energy business, Protasco has set up a new division to drive sustainable energy performance via clean energy. The Clean Energy division is already pursuing a number of solar energy projects.

SUSTAINABILITY STATEMENT

SOCIAL SUSTAINABILITY

Engagement with employees, customers and the community has always been a priority and is part of Protasco's culture.

Employees are important stakeholder. Looking into their overall wellbeing is a key item on the agenda of the Human Resource Department. When the safety and health of employees is taken care of productivity is assured.

Employee Engagement Roadshow

[April - May 2017]

Constant engagement with staff from all divisions is a key way to ensure that staff feel important. A team from Corporate Office endeavours to update staff on the latest progress of the company, changes to benefits, and requirements for further action.

Malaysia's Healthiest Workplace by AIA Vitality

[July - August 2017]

As part of the focus on the health and welfare of employees, Protasco took part in Malaysia's Healthiest Workplace programme organised by AIA Vitality.

Activ@Work 2017 Challenge

[September - November 2017]

In collaboration with Perkeso and BookDoc, staff over 40 years old were given free medical check-ups. They were encouraged to exercise during working hours by walking and counting their own steps via a BookDoc mobile application. Staff were able to earn reward coupons based on the total number of steps walked in a month.



 Activ@Work 2017 Challenge



 Brisk walk with GMD programme on 8 November 2017

Protasco Launch of MyWellness Programme

[November 2017]

On the morning of 8 November 2017, Protasco launched a six-month long campaign called MyWellness aiming to encourage staff to pursue a healthy lifestyle.

The event began with a brisk walk led by Dato' Sri Ir Chong Ket Pen, the Executive Vice Chairman and Group Managing Director of Protasco Berhad. The morning brisk walk session was followed by a talk given by Dr Siti Hawa Abdul Karim from Az-Zahra Islamic Hospital in Bangi. Other activities will follow in the coming months and they include programmes under various subjects like MyFitness, MyHealthy Mind, MyWellness Check, MyChallenge, MyQuit, MyPlate, and MySafety.

Staff Welfare

Visiting staff who are ill is a regular practice undertaken by the HRD. One of such visit took place on 16 October 2017. Staff from HRD together with the Corporate Communication Department visited Puan Norhafifah binti Arshad, the wife of Mr Zaidi bin Said, Acting Director of Kumpulan Ikram Utara, and Puan Haslina bt Abdul Rahim, another staff from Kumpulan Ikram Utara, who are currently undergoing chemotherapy.

SUSTAINABILITY STATEMENT



 IESB awarded Anugerah Majikan Cemerlang

IESB awarded “Anugerah Majikan Cemerlang” in October 2017

Ikram Education Sdn Bhd (IESB) was awarded Best Employer by the management of Employee Provident Fund (EPF), Selangor. The awards ceremony was held in Cyberview Resort & SPA on 24 October 2017.

Protecting Occupational Health and Safety through the Oshe and Personnel Development Policy

In addition to health and wellness, Protasco Berhad looks into the safety of its employees. An Occupational Safety, Health & Environment (OSHE) team was formed under the Education Division. The success of that team is now the model for other OSHE teams being set up and deployed in other divisions.

CORPORATE SOCIAL RESPONSIBILITY PROGRAMMES BY DIVISIONS UNDER PROTASCO BERHAD

Giving back to the community is one of the core values practiced by Protasco Berhad. Each division has its own unique stories to share.



 Roadcare together with Dun Dengkil

Roadcare Supports DUN Dengkil

At the end of December 2016, Roadcare (M) Sdn Bhd, a subsidiary of Protasco Berhad contributed to the local community through three different programmes in Dengkil. Dengkil is one of the areas that Roadcare provides road maintenance services.

The first was the Road Safety Programme conducted on 25 December 2016 to provide road safety awareness for motorcyclists. During the programme, 200 motorcyclists were given free motorcycle engine oil changing services.

Then on 26 December 2016, a “Back To School” Programme was hosted in Pasaraya Tesco, Nilai in preparation for the school year 2017. Roadcare contributed RM10,000, along with RM100 for each student. A total of 100 students received aid.

And on 31 December 2016 Roadcare donated RM5000 to Pusat Khidmat Masyarakat Dengkil for their community dinner. The cash gift was given to the first place lucky draw winner.

SUSTAINABILITY STATEMENT



 Presentation of Zakat contributions to Parlimen Pekan

Distribution of IU KL Zakat

On 11 January 2017, the IU KL Zakat Unit hosted Majlis Agihan Zakat in Block 10, Unipark Suria, Kajang. Zakat was distributed to assist students and staff in reducing their financial burdens. A total of 29 students received pocket money, and some amount for their tuition fee. In addition, 17 staff received Zakat assistance.

CNY Celebration with the Special Children from Persatuan Kanak-Kanak Istimewa Kajang

On 8 February 2017, members of Persatuan Kanak-kanak Istimewa Kajang were treated to a KFC lunch by Protasco in conjunction with the Chinese New Year celebration. The children also received ang pow packets and mandarin oranges.

Empayar Indera Provided Aid to 10 Families in the Area of Lumut, Perak

In line with the Protasco Berhad's mission "to build and support sustainable communities", Empayar Indera Sdn Bhd, in cooperation with

MyKasih Foundation and Yayasan Bina Upaya Negeri Perak, contributed a monthly allowance of RM200 to 10 families for 12 months from January 2017 until December 2017.

Program Khidmat Masyarakat GAGASAN

On 18 March 2017, Roadcare (M) Sdn Bhd, together with the Minister of Works Malaysia, YB Dato' Sri Hj Fadillah Hj Yusoff, participated in a gotong-royong programme hosted by Gagasan Pendidikan Melayu Malaysia (GAGASAN) in Tanjung Lumpur, Pahang.

Ramadhan Celebration with DUN Dengkil

Majlis Sumbangan Kasih Ramadhan for Gugusan Kampung Dato' Abu Bakar Baginda, together with DUN Dengkil and Roadcare, was held on 18 June 2017, in Kampung Dato' Abu Bakar Baginda, Bangi, Selangor.

Iftar Perdana 1438h

Protasco employees and IU KL students, got together with the underprivileged children from Rumah Pengasih Warga Penyayang, Sungai

Ramal, Kajang, in its annual Majlis Berbuka Puasa on 14 June 2017.

Majlis Penyampaian Sumbangan/Zakat Parlimen Pekan 2017

At a ceremony held at the Dewan Komuniti Majlis Daerah, Pekan, Pahang, YB Dato' Sri Mohd Najib bin Tun Abdul Razak, Prime Minister of Malaysia, distributed zakat contributions worth over RM2.63 million. The contribution is from 11 corporate bodies as well as from the Prime Minister himself. Roadcare (M) Sdn Bhd contributed RM250,000 into the zakat fund.

Hiking for Charity

Protasco's staff club also known as Kelab Kebajikan Protasco (KKPro) collaborated with Majlis Bandaraya Petaling Jaya and Alumni Perdiqma (Kolej Professional Mara, Beranang) to raise fund for Sekolah Tahfiz Anak Yatim Al-Kitab, Beranang. The event saw 35 staff participating in a hiking event at Bukit Gasing, Petaling Jaya.

SUSTAINABILITY STATEMENT

Protasco Concern for the Less Fortunate

The number of blind people in Malaysia as of 2016 totalled some 64,700. On 23 November 2017, Protasco Berhad contributed RM5,000 to the Pertubuhan Pembangunan Orang Buta Malaysia with the objective of providing assistance and supporting activities designed to assist those without sight in the areas Selangor and Kuala Lumpur.

On 26 December 2017, IUKL's Zakat Unit presented financial aid to the staff of Protasco during its Majlis Penyerahan Bantuan Persekolahan, held in the Conference Hall of Protasco Berhad.

Corporate Social Responsibility (CSR) Programme for Orang Asli Children

On 28 December 2017, Roadcare (M) Sdn Bhd hosted a CSR Programme for the Orang Asli children of Kampung Orang Asli Sungai Tiang, Cameron Highlands, Pahang. This programme was officiated by Dato' Wan Imran bin Wan Omar, Chief Operating Officer of Roadcare Sdn Bhd. The function was attended by Ir Eow Thein Wee, JKR's District Engineer, Cameron Highlands, and Mr Caffli B. Permid, Head of Infra Social Division Unit, JAKOA. Contributions in the form of school bags and stationery, were presented to 110 children.



CONCLUSION

It is the intention of Protasco Berhad and its divisions to translate the idea of sustainability, as expressed through economic, environmental, and social materiality into measurable effect.

BOARD OF DIRECTORS

IR TAN HENG KUI

Non-Independent
Non-Executive Director

DATO' TAN YEE BOON

Independent Non-Executive Director

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

Chairman
Independent Non-Executive Director

THAM WEI MEI

Independent Non-Executive Director

**DATO' SRI IR
CHONG KET PEN**

Executive Vice Chairman
Group Managing Director



BOARD OF DIRECTORS

**SUHAIMI BIN BADRUL
JAMIL**

Independent Non-Executive Director

**DATO' SRI SU-AZIAN @
MUZAFFAR SYAH BIN
ABD RAHMAN**

Executive Director

LIM YEW TING

Independent Non-Executive Director

**DATO' MOHD HANIF BIN
SHER MOHAMED**

Independent Non-Executive Director



PROFILE OF DIRECTORS



TAN SRI DATUK DR HADENAN BIN A JALIL

Malaysian

Age 72, Male

Chairman

Independent Non-Executive Director

EDUCATION & QUALIFICATION

- › PhD from Henley Management College, United Kingdom, 1986
- › Master in Business Management from the Asian Institute of Management, Philippines, 1975
- › Bachelor of Economics (Honours) degree from the University of Malaya, 1970
- › Recipient of the Asian Institute of Management Alumni Award (AAA), 2013
- › Fellow Member of Association of International Accountants
- › Honorary Member of the Institute of Internal Auditors Malaysia

TERM OF OFFICE

Chairman and a Director of Protasco Berhad since 28 April 2010

SKILLS & EXPERIENCE

Tan Sri Datuk Dr Hadenan was Malaysia's Auditor General from 2000 to 2006.

He was the Chairman of the Operations Review Panel, Malaysian Anti-Corruption Commission until 26 February 2015 and the Chairman of ICB Islamic Bank Ltd Bangladesh until June 2014. He was also the Chairman for PNB Commercial Sdn Bhd and its subsidiaries, PG Hotel Sdn Bhd and held directorships at Malayan Banking Berhad and Maybank Islamic Berhad.

He began his 36 years of public service in 1970, at the Ministry of Finance when he joined the Malaysian Administrative and Diplomatic Services as an Assistant Secretary in the Budget Division.

He went on to assume various positions such as Principal Assistant Secretary, Tax Division; Deputy Secretary, Economic Division; Deputy Secretary, Finance Division and Secretary, Finance Division until 1998. He then became the Deputy Secretary General (Trade) at the Ministry of International Trade and Industry from 1998 to 1999 and Secretary General at the Ministry of Works from 1999 to 2000, before becoming the Auditor General.

He was a Director of Unilever (M) Holdings Sdn Bhd until 1 January 2018.

OTHER PUBLIC COMPANY DIRECTORSHIP & OFFICES

Tan Sri Datuk Dr Hadenan is the Chairman of the Board of Governors of Infrastructure University Kuala Lumpur, Chairman of Protasco Development Sdn Bhd and Chairman of THP Sinar Sdn Bhd.

He is also a Director at Universiti Tun Abdul Razak Sdn Bhd, a member of Advisory Board of Malaysian Anti-Corruption Commission and the Group Business Advisor of Sinar Jernih Sdn Bhd. He is also a member of the Economic Advisory Council Malacca.

PROFILE OF DIRECTORS



DATO' SRI IR CHONG KET PEN

Malaysian

Age 63, Male

Executive Vice Chairman
Group Managing Director

EDUCATION & QUALIFICATION

- › Master of Philosophy (Civil Engineering) degree, University Of Birmingham, United Kingdom, 1990
- › Bachelor of Engineering (Hons) degree from the University of Malaya, 1979
- › Registered Chartered Engineer with the United Kingdom's Engineering Council, 1987
- › Member of the Institution of Civil Engineers, United Kingdom, 1985
- › Registered Professional Engineer with the Board of Engineers Malaysia (BEM)
- › Member of the Institute of Engineers Malaysia (IEM), 1984

TERM OF OFFICE

Director of Protasco Berhad since 18 May 2001

SKILLS & EXPERIENCE

Dato' Sri Ir Chong Ket Pen is a road pavement specialist with extensive experience in the evaluation, design, construction and maintenance of road pavements.

Upon graduating from the University of Malaya in 1979, the young Chong joined the Public Works Department (JKR) Kelantan as a Road Design Engineer. He was, later, promoted to the post of Project Engineer, supervising the construction of roads and bridges in southern part of Kelantan.

After gaining valuable design and site experience in roads and bridges, during the first few years of his working career, he was then transferred back to the Design and Research Branch of JKR Headquarters, as Senior Research Engineer. Whilst carrying out research work in the field of pavement engineering, he embarked in the Master by Research course with the University of Birmingham, subsequently obtaining a Master of Philosophy (Civil Engineering) degree in 1990.

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

OTHER PUBLIC COMPANY DIRECTORSHIP & OFFICES

Dato' Sri Ir Chong is currently the President of the KL-Selangor Hopo Association and the Chairman of Malaysia Hopo Cultural Fund. He is also the Vice President of the KL-Selangor Chinese Assembly Hall.

PROFILE OF DIRECTORS



DATO' MOHD HANIF BIN SHER MOHAMED

Malaysian

Age 66, Male

Independent Non-Executive Director

BOARD COMMITTEE

- › Chairman of the Audit Committee

EDUCATION & QUALIFICATION

- › Master in Business Administration
- › Member of the Australian Management College
- › Member of the British Institute of Management
- › Member of the Institute of Credit Management, United Kingdom

TERM OF OFFICE

Director of Protasco Berhad since 28 November 2012

SKILLS & EXPERIENCE

Dato' Mohd Hanif has extensive experience in the Banking & Finance industry. His skills include strategic planning, risk management, corporate finance, rehabilitation and restructuring of debts.

He was the former Chief Executive Officer of Credit Corporation (Malaysia) Berhad and Chairman of Entrepreneur Rehabilitation Fund (Tabung Pemulihan Usahawan). He was also a Director of Credit Guarantee Corporation, Danajamin Nasional Berhad, Agro Bank and Mieco Chipboard Berhad.

Dato' Hanif retired as the Chairman and a Director of Credit Counselling and Debt Management Agency (AKPK) on 17 September 2017.

OTHER PUBLIC COMPANY DIRECTORSHIP & OFFICES

He is currently Chairman and Director of Sivash Holdings Berhad. He is a Director of Public Investment Bank Berhad and Public Mutual Berhad.

On 26 September 2017, he was appointed as director and non-executive Chairman of BRDB (International) Limited, a wholly owned subsidiary of BRDB Developments Sdn Bhd.

He is also a member of the Small Debt Resolution Committee at Bank Negara Malaysia and a faculty member at the Financial Institutions Directors' Education Programme (FIDE).

PROFILE OF DIRECTORS



DATO' SRI SU-AZIAN @ MUZAFFAR SYAH BIN ABD RAHMAN

Malaysian

Age 53, Male

Executive Director

EDUCATION & QUALIFICATION

➤ Certificate in Business Management, Malay Chamber of Commerce (BBMC), 1988

TERM OF OFFICE

Director of Protasco Berhad since 16 December 2014

SKILLS & EXPERIENCE

Dato' Sri Muzaffar Syah brings with him invaluable years of experience in business development.

He was a Special Officer at the Ministry of International Trade & Industry Malaysia, the Ministry of Youth and Sports Malaysia and the Ministry of Education Malaysia from 1995 to 2009.

He was the Chief Executive Officer at Molek Engineering Sdn Bhd from 2001 to 2012. He also served as a Director in GIA Consult Sdn Bhd from 2006 to 2012 and Papan Agro Valley Sdn Bhd from 2007 to 2012.

He is currently the Managing Director of the Maintenance Division of Protasco Berhad.

OTHER PUBLIC COMPANY DIRECTORSHIP & OFFICES

He is the Managing Director of HCM Engineering Sdn Bhd.

Dato' Sri Muzaffar Syah is currently the Managing Director of the Maintenance Division Protasco Berhad.

PROFILE OF DIRECTORS



SUHAIMI BIN BADRUL JAMIL

Malaysian

Age 55, Male

Independent Non-Executive Director

BOARD COMMITTEE

- › Chairman of the Board Risk Management Committee
- › A member of the Audit Committee

EDUCATION & QUALIFICATION

- › Master of Business Administration from Deakin University, Australia, 2004
- › Graduate Diploma in Accounting, Australian National University, 1986
- › Bachelor of Economics (with specialisation in accounting), Australian National University, 1985
- › Chartered Accountant (Malaysia) with the Malaysian Institute of Accountants
- › Fellow of CPA Australia

TERM OF OFFICE

Director of Protasco Berhad since 16 December 2014

SKILLS & EXPERIENCE

Suhaيمي possess invaluable experience and skills in corporate finance, corporate restructuring, risk management, turnaround management, cross border investments in South East Asia, mergers & acquisitions and strategic management and regularly provides consultancies to companies.

He started his career with HRM Arthur Andersen Chartered Accountants in the audit and financial consulting department. He was then appointed as Group Financial Controller, Group General Manager and finally as Group Executive Director for a Malaysian conglomerate whose activities included property development, transportation, insurance and banking, plantation, construction, manufacturing and investment holdings.

He then went on to run his own business and has been involved in various start-ups covering diverse areas including education, international trading, agriculture, manufacturing, mining and private equity. He was also a Special Administrator for Danaharta, regularly advises various companies in areas of corporate finance, corporate restructuring, risk management, turnaround management, cross border investments in South East Asia, mergers and acquisitions and strategic management and leadership.

He has held various board directorships in public listed companies as well as licensed financial institutions. Among the companies in which he was a board member were MEMS Technology Berhad as Chairman of the Board, Petra Energy Berhad, Credit Corporation (M) Berhad, MIMB Investment Bank Berhad, Gadek Capital Berhad, SPK-Sentosa Corporation Berhad, Intrakota Consolidated Berhad, eB Capital Berhad and SJ Kumpulan Berhad. He was also an Executive Director with Ferrier Hodgson MH and Baker Tilly MH.

OTHER PUBLIC COMPANY DIRECTORSHIP & OFFICES

None

PROFILE OF DIRECTORS



DATO' TAN YEE BOON

Malaysian

Age 43, Male

Independent Non-Executive Director

BOARD COMMITTEE

- Chairman of the Nomination & Remuneration Committee
- Chairman of the Employees' Share Scheme Committee
- A member of the Audit Committee
- A member of Board Risk Management Committee

EDUCATION & QUALIFICATION

- Admitted as an Advocate & Solicitor, High Court of Malaya, 1999
- Certificate of Legal Practice from Malaysia, 1998
- Bachelor of Law (Honours) degree from University of South Wales, 1997

TERM OF OFFICE

Director of Protasco Berhad since 18 January 2013

SKILLS & EXPERIENCE

Dato' Tan Yee Boon possesses more than 18 years of experience in legal services with specialisation in commercial, corporate, litigation and advisory works.

OTHER PUBLIC COMPANY DIRECTORSHIP & OFFICES

He is a Director of Central Industrial Corporation Berhad and Binasat Communications Berhad. He is also Director of companies listed on the Hong Kong Stock Exchange being China Dynamic Holdings Limited and Worldgate Global Logistic Limited.

PROFILE OF DIRECTORS



IR TAN HENG KUI

Malaysian

Age 61, Male

Non Independent Non-Executive Director

BOARD OF COMMITTEE

- › A member of the Nomination & Remuneration Committee
- › A member of the Employees' Share Scheme Committee
- › A member of the Board Risk Management Committee

EDUCATION & QUALIFICATION

- › Bachelor of Science (Honours) degree in Civil Engineering from the University of Wales, United Kingdom, 1981
- › Professional Engineer registered with the Board of Engineers Malaysia (BEM)
- › Chartered Engineer with the Engineering Council, United Kingdom
- › Honorary Fellow with the ASEAN Federation of Engineering Organisation (AFEO)

TERM OF OFFICE

Director of Protasco Berhad since 10 December 2012

SKILLS & EXPERIENCE

Ir Tan Heng Kui has more than 30 years of practical experience in the local engineering industry, mainly in water resources and waste water engineering projects.

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

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

In 2015, he was conferred the Honorary Fellow of the Asean Federation of Engineering Organisations in recognition of his contribution to the engineering communities.

In 2017 he was appointed as the Honorary Consul of the Czech Republic for Sabah.

OTHER PUBLIC COMPANY DIRECTORSHIP & OFFICES

Ir Tan Heng Kui is a Director at Incoprime Sdn Bhd and Press Metal Berhad since 1991 and 2001 respectively.

Ir Tan Heng Kui is a Director of Kumpulan Ikram (Sabah) Sdn Bhd since 1997. He is also Principal of Perunding Pertama Consulting Engineers since 1988.

PROFILE OF DIRECTORS



LIM YEW TING

Malaysian

Age 62, Male

Independent Non-Executive Director

BOARD COMMITTEE

- › A member of the Nomination & Remuneration Committee
- › A member of the Employees' Share Scheme Committee

EDUCATION & QUALIFICATION

- › Bachelor of Accounting (Hons) from the University of Malaya
- › Member of The Malaysian Institute of Certified Public Accountants

TERM OF OFFICE

Director of Protasco Berhad since 1 August 2016

SKILLS & EXPERIENCE

Lim Yew Ting started his career in 1980 in Bank Negara Malaysia as a Bank Examiner in the Examination Department and then was appointed as a Senior Officer in the Accounts Department. In 1986, he was seconded to the Capital Issues Committee, Ministry of Finance and was responsible for processing and supervising corporate proposals.

Lim Yew Ting left public service in 1992 to join Aokam Perdana Berhad as Assistant General Manager and subsequently Rahman Hydraulic Tin Berhad as General Manager in 1996, where he was involved in corporate finance. In 1998, he joined Kumpulan Ikram Sdn Bhd as General Manager, Corporate Advisory and in 2002, he became its Senior General Manager, Corporate Advisory.

Since then, Lim Yew Ting held various positions in Protasco Berhad Group of Companies including as General Manager of Group Corporate Planning, Chief Operating Officer in Kuala Lumpur Infrastructure University College (now known as Infrastructure University Kuala Lumpur) and Executive Director of Group Corporate Office.

His last appointment in the Protasco Berhad Group before his resignation in 2014 was as Corporate Advisor.

OTHER PUBLIC COMPANY DIRECTORSHIP & OFFICES

None

PROFILE OF DIRECTORS



THAM WEI MEI

Malaysian

Age 51, Female

Independent Non-Executive Director

EDUCATION & QUALIFICATION

› Degree in Mass Communications, Universiti Sains Malaysia.

TERM OF OFFICE

Director of Protasco Berhad since 1 January 2018

SKILLS & EXPERIENCE

Tham Wei Mei has over 25 years of experience in the fields of mass media, communications, journalism, marketing, publishing and public relations, having served companies locally and abroad. She is also actively involved in social media campaigns.

She has served GLCs, MNCs, government agencies on national issues, crisis, lobbying, mergers and acquisitions as well as other corporate exercises.

Her career started in Jakarta before she headed to Cambodia. Based in Phnom Penh, she served as a journalist and Assistant Bureau Chief for The Cambodia Times newspapers which were published in English and Khmer languages.

While in Cambodia, Tham was also the principal writer and key servicing person to manage the publishing of a United Nations newsletter, called The Peacekeeper.

Upon leaving Cambodia, she returned to Malaysia to serve in a US telco services company with clients in Hong Kong, Singapore, Indonesia and Thailand.

Three years later, Tham left to set up Alpha Platform Sdn Bhd, a public relations consultancy. With clients from the government, state institutions, multinationals and financial institutions, Tham provided strategic advisory as well as execution of the public relations campaigns for some of the largest national issues.

OTHER PUBLIC COMPANY DIRECTORSHIP & OFFICES

None

Notes:

- (i) None of the Directors have any family relationship with each other and with any substantial shareholders of the Company.
- (ii) Save for compound issued by Companies Commission of Malaysia to Dato' Sri Ir Chong Ket Pen for late notification of change in his shareholdings in the Company, none of the Directors have any conviction for offences, other than traffic offences, for the past five (5) years.
- (iii) Other than Dato' Sri Ir Chong Ket Pen and Ir Tan Heng Kui's interests in related party transactions as disclosed in Note 47 on page 160 of the Financial Statements, none of the other Directors have conflict of interest with the Company.
- (iv) The Directors' holdings in shares of the Company are disclosed in the Analysis of Shareholdings section of the Annual Report. Other than Ir Tan Heng Kui, none of the other Directors hold any shares in the subsidiaries of the Company.

PROFILE OF SENIOR MANAGEMENT TEAM

DATO' SRI SU-AZIAN @ MUZAFFAR SYAH BIN ABD RAHMAN

Malaysian | Age 53, Male
Managing Director, Maintenance Division

Please refer to profile of Board of Directors on page 39.

DATO' IR CHONG THER NEN

Malaysian | Age 37, Male
Managing Director

QUALIFICATION

- › Master of Engineering Science, University of Melbourne, Australia, 2005
- › Bachelor of Civil Engineering (Hons), University of Melbourne, Australia, 2003
- › Registered with Board of Engineers, Malaysia, 2010
- › Corporate Member, Institute of Engineering, Malaysia, 2010
- › Member, Institute of Engineers, Australia, 2004

WORK EXPERIENCE

- › Managing Director, Protasco Berhad 2018
 - Construction Division
 - Property Division
 - Trading & Manufacturing Division
 - Corporate Security
 - Special Projects
- › Managing Director, Property & Infrastructure, Protasco Berhad, 2014
- › Executive Director, International Business & Property Development Division, Protasco Berhad, 2013
- › Special Assistant to Group Managing Director, Protasco Berhad, 2012
- › Director, Ikram Centre of Excellence for Sustainability & Green Technology (ICSG), 2010
- › Senior Engineer, Research & Documentation Unit, Infrastructure Research & Development Centre (IRDC), 2009
- › Senior Pavement Engineer, Technical Consulting, VicRoads Australia, 2006-2008

DATE APPOINTED TO KEY SENIOR MANAGEMENT POSITION

January 2010

Dato' Ir Chong Ther Nen is the son of Dato' Sri Ir Chong Ket Pen, Executive Vice Chairman/Group Managing Director who is a major shareholder of Protasco Berhad.

PROFILE OF SENIOR MANAGEMENT TEAM

CHONG THER VERN

Malaysian

Age 35, Male

Executive Director

QUALIFICATION

- Master of Sustainable Energy, RMIT University, Melbourne, Australia, 2011
- Master of Finance, RMIT University, Melbourne, Australia, 2005
- Bachelor of Electronic Engineering (Hons), RMIT University, Melbourne, Australia, 2003
- Graduate Member, Institute of Engineers, Malaysia, 2010

WORK EXPERIENCE

- Executive Director, Protasco Berhad, 2018 for,
 - Engineering & Consultancy Services
 - Education
 - Clean Energy
- Executive Director, Group Corporate Office, Protasco Berhad, 2017
- Business Development Consultant, Protasco Berhad & Head of De Centrum Mall, De Centrum Development Sdn Bhd, 2016
- Managing Director, Tutti Frutti Australia Pty Ltd, 2011
- Head of After Sales Service, XiMAX Communications Sdn Bhd, 2009
- Electronic Engineer, XiMAX Communications Sdn Bhd, 2006

DATE APPOINTED TO KEY SENIOR MANAGEMENT POSITION

January 2017

Chong Ther Vern is the son of Dato' Sri Ir Chong Ket Pen, Executive Vice Chairman/Group Managing Director who is a major shareholder of Protasco Berhad.

HO CHUN FUAT

Malaysian

Age 51, Male

Chief Financial Officer

QUALIFICATION

- Chartered Accountant, Malaysian Institute of Accountants, 1993
- Certified Public Accountant, Malaysian Institute of Certified Public Accountant, 1993

WORK EXPERIENCE

- Director, Corporate Finance Protasco Berhad, 2014
- Chief Financial Officer, Malayan United Industries Berhad (MUI), August 2012
- Joint Company Secretary of MUI, MUI Properties Berhad, Pan Malaysian Industries Berhad, Metrojaya Berhad and MUI Continental Insurance Berhad (currently known as MUI Continental Berhad), December 2011
- Group Financial Controller, Malayan United Industries Berhad, October 2011
- Director, Finance and Corporate Strategy, Two-p Technology (M) Sdn Bhd, April 2010
- Senior Manager, Corporate Finance, Bolton Berhad, December 2007
- Group Accountant, Bolton Berhad (now known as Symphony House Berhad), February 2007
- Advisor, Asia Telecommunication (M) Sdn Bhd, August 2006
- Chief Financial Officer, Pan Pacific Asia Berhad, 2001
- Group Financial Controller, Uniphoenix Corporation Berhad, 1998
- Assistant General Manager, Corporate Finance, Uniphoenix Corporation Berhad, 1996
- Senior Manager, Corporate Finance, Uniphoenix Corporation Berhad, 1995
- Manager, Corporate System Planning, Uniphoenix Corporation Berhad, 1993
- Audit Experience Senior, Hanafiah Raslan & Mohamed/Arthur Andersen & Co, 1993
- Audit Senior, Hanafiah Raslan & Mohamed/Arthur Andersen & Co, 1991
- Audit, Hanafiah Raslan & Mohamed/Arthur Andersen & Co, 1987

DATE APPOINTED TO KEY SENIOR MANAGEMENT POSITION

January 2014

PROFILE OF SENIOR MANAGEMENT TEAM

LOW KIAN SENG

Malaysian | Age 47, Male
Executive Director, Group Corporate Office
Chief Operating Officer, Infrastructure University Kuala Lumpur

QUALIFICATION

- › Bachelor of Commerce (Accounting), University of Southern Queensland, Australia, 2001
- › Diploma in Business Studies, HELP Institute, 1995
- › Third Level Group Diploma in Accounting, London Chamber of Commerce and Industry (LCCI), 1991
- › Chartered Accountant, Malaysian Institute of Accountants, 2009
- › Certified Practising Accountant, CPA Australia, 2007

WORK EXPERIENCE

- › Director, Strategic Planning & Advisory Services, Protasco Berhad, 2017
- › Director, Corporate Office, Protasco Berhad, 2016
- › Director, International Business, Protasco Berhad, 2013
- › General Manager, Protasco Trading Sdn Bhd, 2012
- › General Manager, XiMAX Communications Sdn Bhd, 2008
- › Senior Manager, QP Industries Sdn Bhd, 2006
- › Manager, Operations, Protasco Trading Sdn Bhd, 2003
- › Accountant, Kumpulan Ikram Sdn Bhd, 1997

DATE APPOINTED TO KEY SENIOR MANAGEMENT POSITION

January 2013

DATO' IR TAN SWEE KEE

Malaysian | Age 66, Male
Chief Executive Officer, Engineering & Consultancy Services Division

QUALIFICATION

- › Bachelor of Engineering Honours Degree (Civil), University of Malaya, 1976
- › Professional Engineer with Practising Certificate (Reg No: C14264)

WORK EXPERIENCE

- › Executive Director, Kumpulan IKRAM Sdn Bhd, 2013-2017
- › Chief Executive, IKRAM Infrastructure & Asset Management (IIAM) & Training Group (ITiDi & ISRA), 2010
- › Director, IKRAM Training & Infrastructure Development Institute (ITiDi) & CEO, IKRAM Skills & Retraining Academy (ISRA), 2008
- › Director, IKRAM Training & Infrastructure Development Institute (ITiDi), 2007
- › Director, IKRAM Training & Infrastructure Development Institute (ITiDi) & Deputy Chief Executive Officer, IKRAM College of Technology (ICT), 2000
- › Director, Quality and Productivity Division at Department of Irrigation & Drainage Malaysia, 1998
- › Chief Engineer of the Research Division at Department of Irrigation & Drainage Malaysia, 1992
- › Deputy Director of the Research and Training Division of Jabatan Pengairan & Saliran Malaysia, 1988
- › Chief Resident Engineer of another World Bank funded Kerian-Sg. Manik Development Project in Perak, 1984
- › Senior Resident Engineer of the World Bank funded north Kelantan Development Project, 1979
- › District Engineer for Pasir Mas & Tumpat Districts at Department of Irrigation & Drainage Kelantan, 1976

DATE APPOINTED TO KEY SENIOR MANAGEMENT POSITION

September 2000

PROFILE OF SENIOR MANAGEMENT TEAM

IR EDWARD KHOO MONG WEI

Malaysian

Age 40, Male

Executive Director, Construction Division

Executive Director, Property Division

QUALIFICATION

- Bachelor of Engineering (Civil), (Hons), University of Melbourne, Australia, 2000
- Green Building Index (GBI) Accredited Facilitator, 2010
- Chartered Professional Engineer of Australia (CP Eng), 2007
- Professional Engineer Membership, National Professional Engineering Register, Australia (NPER), 2007
- Professional Engineer Membership, Board of Engineers Malaysia (BEM), 2006
- Professional Engineer Membership, Institute of Engineers Malaysia, 2006

WORK EXPERIENCE

- Executive Director, Property Development Division, Protasco Berhad, 2013
- Director, Protasco Development Sdn Bhd, November 2013
- Project Director, Protasco Development Sdn Bhd, June 2009
- Project Engineer, with Cardno Grogan Richards in Melbourne, Australia, 2007
- Project Manager, Mahajaya Berhad, 2004
- Structural Engineer, Sepakat Setia Perunding, 2001

DATE APPOINTED TO KEY SENIOR MANAGEMENT POSITION

January 2009

DATO' RONNIE YAP KEE TIAN

Malaysian

Age 44, Male

Executive Director, Protasco Trading & Manufacturing Division

QUALIFICATION

- Candidate for B.A. (Hons.) in Business Administration, University of Coventry, United Kingdom, 1994-1995
- Certificate in Business Administration & Higher Diploma in Business Administration, INTI College, Petaling Jaya, 1994

WORK EXPERIENCE

- Executive Director, Protasco Trading Sdn Bhd, January 2014
- General Manager, Protasco Trading Sdn Bhd, July 2001
- Assistant Manager Marketing, Protasco Trading Sdn Bhd, September 1997

DATE APPOINTED TO KEY SENIOR MANAGEMENT POSITION

July 2001

PROFILE OF SENIOR MANAGEMENT TEAM

PROF DR ROSLAN BIN ZAINAL ABIDIN

Malaysian | Age 59, Male
President & Vice Chancellor, Education Division

QUALIFICATION

- Post-Doctoral Fellows Japan Science Promotion Society, Kyoto University (2006)
- Post-Doctoral Fellows Royal Society, United Kingdom, University of Exeter (2000)
- Post-Doctoral Fellows Korean Science & Engineering Foundation, Seoul National University (1995)
- Phd (Agricultural Engineering), Kagoshima University, Japan, 1992
- M. Sc (Agricultural Engineering), Miyazaki University, Japan, 1989
- Japanese Language Certificate, Kyushu University, Japan, 1987
- Advanced Diploma - Civil Engineering Institut Teknologi MARA, Malaysia, 1981
- Diploma - Civil Engineering, Institut Teknologi MARA, Malaysia, 1979
- Malaysia Hydrological Society, Department of Irrigation & Drainage, Malaysia, 2001
- Institute of Engineers Malaysia, 1984
- Board of Engineers Malaysia, 1983

WORK EXPERIENCE

- President & Vice Chancellor, Infrastructure University Kuala Lumpur (IUKL), January 2013
- Senior Vice President, Infrastructure University Kuala Lumpur (IUKL), September 2012
- Vice President, Kuala Lumpur Infrastructure University College (KLIUC), July 2011
- Dean, Faculty of Engineering, Kuala Lumpur Infrastructure University College (KLIUC), January 2011
- Director of IRCDIP, Universiti Teknologi MARA, Malaysia, 2008
- Director of NASEC, Universiti Teknologi MARA, Malaysia, 2004
- Head of NASEC, Universiti Teknologi MARA, Malaysia, 2002
- Professor, Universiti Teknologi MARA, Malaysia, 2001
- Associate Professor, Universiti Teknologi MARA, Malaysia 1997
- Senior Lecturer, Universiti Teknologi MARA, Malaysia, 1995
- Senior Engineer, Department of Irrigation & Drainage Malaysia, 1989
- Engineer, Department of Irrigation & Drainage Malaysia, 1981

DATE APPOINTED TO KEY SENIOR MANAGEMENT POSITION

January 2013

DATO' WAN IMRAN BIN WAN OMAR

Malaysian | Age 44, Male
Chief Operating Officer, Maintenance Division

QUALIFICATION

- Master of Business Administration (Construction Business), International Islamic University Malaysia, May 2015
- Bachelor in Quantity Surveying, Universiti Teknologi Malaysia, June 1997

WORK EXPERIENCE

- Chief Operating Officer, Roadcare (M) Sdn Bhd, 2015
- Asst General Manager, Roadcare (M) Sdn Bhd, 2013
- Contracts Manager, Roadcare (M) Sdn Bhd, August 2007
- Area Manager Kerteh, Roadcare (M) Sdn Bhd, February 2007
- Quantity Surveyor, Roadcare (M) Sdn Bhd, 2006
- Contracts Officer Kelantan, Roadcare (M) Sdn Bhd, 2002
- Senior Quantity Surveyor, Pasir Puteh Development Corporation Sdn Bhd, 2001
- Site Quantity Surveyor, Ranhill Bersekutu Sdn Bhd, 1999
- Assistant Contract Manager, Pengurusan KPRJ Ranhill Sdn Bhd, 1997

DATE APPOINTED TO KEY SENIOR MANAGEMENT POSITION

September 2015

Notes:

- (i) Save as per disclosed, none of the Senior Management have:
 - a. any family relationship with any Directors and/or major shareholders of the Company
 - b. any conflict of interest with the Company
 - c. any directorship in public companies
- (ii) None of the Senior Management have any convictions for offences other than traffic offences within the past five (5) years.
- (iii) None of the Senior Management have any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 31 December 2017.

AUDIT COMMITTEE REPORT

COMPOSITION AND ATTENDANCE

The Audit Committee comprises of three members, all of whom are Independent Non-Executive Directors.

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

Members	Date of Appointment	No. of Meeting Attended
Dato' Mohd Hanif Bin Sher Mohamed Chairman <i>(Independent Non-Executive Director)</i>	28 November 2012	6/6
Dato' Tan Yee Boon Member <i>(Independent Non-Executive Director)</i>	7 August 2014	6/6
Suhaimi Bin Badrul Jamil Member <i>(Independent Non-Executive Director)</i>	16 December 2014	6/6

The Nomination and Remuneration Committee reviews the term of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

The Audit Committee Terms of Reference is available at www.protasco.com.my.

MEETINGS

The Audit Committee held six meetings in 2017 without the presence of other Directors except when the Audit Committee requested their attendance.

The Manager of Internal Audit, who is also the Head of Internal Audit attended all Audit Committee meetings and tabled the Internal Audit reports.

Minutes of each Audit Committee meeting were recorded and tabled for confirmation at the next Audit Committee meeting.

SUMMARY OF WORKS

The main works undertaken by the Audit Committee during the year are as follow:

1) Financial Reporting

- The Chief Financial Controller, Mr Muhammad Hafidzi Bin Abu Bakar presented the Q4 2016 and Q1 2017 financial statements while the Acting Chief Financial Officer, Mr Ho Chun Fuat presented the Q2 and Q3 of 2017 financial report to the Audit Committee for review and recommendation for the Board's approval and adoption.
- The quarterly financial statement for Q4 2016 was presented by the Chief Financial Controller to the Audit Committee on 22 February 2017.

- The quarterly financial statements for Q1, Q2 and Q3 of 2017 were reviewed at the Audit Committee meetings on 17 May 2017, 22 August 2017 and 24 November 2017, respectively.

2) External Audit

- On 22 February 2017, the Audit Committee was briefed by External Auditors on the Audit Review Memorandum in respect of their audit for financial year ended 31 December 2016.
- On 4 April 2017, the draft Audited Financial Report for FY2016 was tabled to Audit Committee for review and deliberation, and recommendation was made to the Board for approval.

AUDIT COMMITTEE REPORT

- c) The Audit Committee was informed on 4 April 2017 that the External Auditors would review the draft Statement on Risk Management and Internal Control (SRMIC), and furnish a letter of clearance in respect of the SRMIC accordingly.

The Audit Committee had approved SRMIC on 4 April 2017 for recommendation to the Board subject to the clearance to be received from External Auditors.

- d) The Audit Committee conducted an assessment of External Auditors on 4 April 2017. The Audit Committee reviewed the competencies and resources, provision of non-audit services, rotation of audit partner and communication with management.

The Audit Committee was satisfied with the External Auditors technical competency and audit independence. As such, the Audit Committee agreed to propose for the re-appointment of External Auditors for the next financial year.

- e) The Audit Committee held private meetings with the External Auditors twice in 2017 without the presence of the Management and Internal Auditors on 4 April 2017 and 24 November 2017.
- f) In the Audit Committee meeting held on 24 November 2017, the audit engagement partner, Mr Lee Kok Wai was replaced by Mr Chua Wai Hong as the former had completed his five (5) years term in accordance with the International Standard on Quality Control adopted by Malaysian Institute of Accountants.

3) Internal Audit

- a) The Head of Internal Auditors, Mohd Faisal Bin Mohd Yunus has presented the reports of audit assignments completed in Q4 2016 on 22 February 2017.
- b) The Audit Committee has reviewed the draft Audit Committee Report and agreed to be included in the Annual Report 2016 on 4 April 2017.
- c) The Head of Internal Auditors has presented the progress of the Annual Internal Audit Plan for 2017 on 22 February 2017, 4 April 2017, 17 May 2017, 22 August 2017 and 24 November 2017.
- d) The Internal Audit team conducted the audit activities as per the 2017 Annual Internal Audit Plan approved by the Audit Committee on 17 November 2016.

The Head of Internal Audit presented the 2017 Internal Audit Report at each of Audit Committee meeting during the year on 17 May 2017, 22 August 2017 and 24 November 2017. A total of 22 assignments were completed in 2017.

- e) An investigation was carried out on a complaint received against two employees.
- f) The Audit Committee had accepted the Internal Audit Plan for 2018 on 24 November 2017.

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 has been carrying out the following works during the year to achieve the above objectives:

- i) Reviewing and assessing the effectiveness and adequacy of risk management and internal controls of various operating divisions within the Group;
- ii) Conducting special reviews, audits and investigations on an ad-hoc basis as requested by the Audit Committee or the Management;
- iii) Reviewing and assessing the compliance with the established policies and procedures;
- iv) Identifying opportunities to improve the operations and business processes in the Group; and
- v) Recommending improvements on the existing internal controls in the Group.

Total costs incurred by Internal Audit Department to discharge its functions and responsibilities in 2017 amounted to RM350,000.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE

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CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Protasco Berhad (the Board) believes in good corporate governance practices in line with the principles, requirements, and best practices specified in the Malaysian Code on Corporate Governance 2017 (MCCG 2017).

THE ROLE AND RESPONSIBILITIES OF THE BOARD

The Board is aware of its accountability to the shareholders and various stakeholders of Protasco Berhad in discharging its duty and regulatory role in building a sustainability business.

The Board is responsible for delivering shareholder value over the long term, through the Group's culture, strategy, values and governance. The Independent Directors have a particular responsibility for challenging the Group's strategy and monitoring the performance of Executive Directors against goals and objectives.

The Schedule of Matters reserved for the Board includes various strategic, financial, operational and governance responsibilities.

The Board is supported by the Audit, Nomination and Remuneration, Employees' Share Scheme and Risk Management Committees.

Decisions on operational matters and the day-to-day management of the business are delegated to the Group Managing Director and its senior management. This includes implementing group policy and procedures, managing client and contractor service, monitoring financial performance, and human resource management.

Board Charter

The Board has adopted a Board Charter which serves as a reference for the Directors.

The Board Charter sets out the roles, functions, composition, operations and processes of the Board which is intended to ensure that all the Board members are fully aware of their obligation of discharging their duties and responsibilities. The last review was carried out by the Board on 31 March 2016.

The Board Charter is available for reference at the company's website www.protasco.com.my.

Code of Conducts

A Director's Code of Conducts is set out as the rules and values for the Directors in conducting their duties and responsibilities to the highest ethical standards.

The Director's Code of Conduct is available for reference at the company's website www.protasco.com.my.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE

Board Information

Board papers containing current and forecast results, governance, litigation and risk updates, and treasury and shareholders information are distributed in advance of the meeting to allow Directors have sufficient time for preparation. The Board received presentations from the Group Managing Director and senior management on issues within the Group.

Company Secretary

Both company secretaries are qualified to act as company secretary under Section 235 of the Companies Act 2016. They are both Associates members of the Malaysia Institute of Chartered Secretaries and Administrators ("MAICSA"). The Company secretaries provide support to the Board in fulfilling its fiduciary duties. They are responsible in advising the Board with regards to the Company's constitution, Board policies and procedures, and its compliance with regulatory requirements, codes, guidance and legislations as well as best practices of corporate governance. All Directors have access to the advice and services of the Company Secretaries. The Company Secretaries ensure deliberations of Board and Board Committee meetings are well documented and maintained in the statutory records at the registered office of the Company.

Promote Sustainability

The Board recognises that the sustainability of the ecosystem is an integral part of sustaining its business, thus supporting a plan for promoting sustainability to be embedded in the Group's strategies, taking into accounts the environmental, economic and social aspects in its business operations.

The Sustainability Policy is available for reference at the company's website www.protasco.com.my.

For further information on our Group's sustainability statement, please refer to the Sustainability Statement on pages 24 to 33 of this report.

Professional Advice

The Company provides the Board with full assistance and gives it complete access to necessary materials and relevant information. Together with proper counsel from qualified Company Secretaries and others, these have enabled the Board to discharge its functions properly. The Directors are also encouraged in making verifications and endorsements, and seeking external guidance.

Whistleblowing

The Board encourages employees and associates to report suspected and/or known misconduct, wrongdoing, corruption and instances of fraud, waste, and/or abuse involving the resources of the Group.

A Whistleblowing Policy was established to enable employees and associates to raise their concerns without fear.

The Whistleblowing Policy is available for reference at the company's website www.protasco.com.my.

The following channels should be used when employees and associates to raise their concerns:

- Via email : whistleblow@protasco.com.my
- In writing to : The Chairman, Protasco Berhad, 2nd Floor, Corporate Block, Unipark Suria, Jalan Ikram-Uniten, 43000 Kajang, Selangor.
Tel: 03 8738 3388

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE

Composition of the Board

The Board aims to have diversity of skills, experience, length of service, knowledge and gender. The profiles of the Directors are set out on pages 36 to 44. These demonstrate a broad range of experience, expertise and sufficient calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct, which are vital to the success of the Group.

At present, there are nine members of the Board comprising six Independent Non-Executive Directors, one Non-Independent Non-Executive Director and two Executive Directors.

Appointments and Re-Election of Directors

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

The Nomination and Remuneration Committee will assess the directors who are due for re-election at the AGM based on the result of the annual performance evaluation and will submit its recommendation to the Board for approval.

Board Performance Evaluation

The Board undertakes performance evaluation annually which comprises Board assessment, self-assessment and assessment on board committees. The Chairman of the Nomination and Remuneration Committee will be presented with the analysis of the overall performance evaluation and deliberated at the Nomination and Remuneration Committee meeting. The Nomination and Remuneration Committee will assess and identify areas which require improvement and recommend to the Board for action.

REINFORCED INDEPENDENCE

Independence

The Board considers that, notwithstanding their interests in the shares of the Company as set out in the Directors' Interests on pages 69 to 70 of the Directors' Report, all of the current Independent Directors are independent of the management of the Group and are free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

Pursuant to the Succession Planning Policy of the Company, the tenure of Independent Director is capped at nine years of continuous service. An Independent Director will retire after nine years of continuous service.

Currently, none of the Independent Director has served the Company for more than a cumulative term of nine years of continuous service.

Chairman and Group Managing Director

The roles of Chairman and Group Managing Director are held by separate persons and have different responsibilities. The Chairman of the Board is an Independent Non-Executive Director.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE

FOSTER COMMITMENT

During the year under review, six Board meetings were held. Details of Directors' attendance are set out as follows:

Board Meeting Attended in 2017	
Tan Sri Datuk Dr Hadenan Bin A Jalil	6/6
Dato' Sri Ir Chong Ket Pen	6/6
Dato' Sri Su-Azian @ Muzaffar Bin Abd Rahman	5/6
Dato' Mohd Hanif Bin Sher Mohamed	6/6
Dato' Tan Yee Boon	6/6
Suhaimi Bin Badrul Jamil	4/6
Ir Tan Heng Kui	5/6
Lim Yew Ting	6/6
Tham Wei Mei (Appointed on 1 January 2018)	N/A

Professional Development

Details of training programmes, conferences and forums attended by the Directors during the year under review are set out as follows:

Name	Date	Description of Training
Tan Sri Datuk Dr Hadenan Bin A Jalil	13 March 2017	Sustainability Engagement Series for Directors/ Chief Executive Officers, Bursa Malaysia
	20 July 2017	Sustainability Reporting – What is It and How To Go About Reporting by MIRA
Dato' Sri Ir Chong Ket Pen	12 May 2017	Corporate Governance Talk by Dato' Mohd Hanif Bin Sher Mohamed, Protasco Berhad
	5 July 2017	RHB's Regional Conference – One Belt, One Road, One Asia, RHB Group
	20 July 2017	Sustainability Reporting – What is It and How To Go About Reporting by MIRA
Dato' Mohd Hanif Bin Sher Mohamed	20 July 2017	Sustainability Reporting – What is It and How To Go About Reporting by MIRA
	7 Nov 2017	Integrating An Innovation Mindset with Effective Governance, Bursa Malaysia

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE

Name	Date	Description of Training
Dato' Sri Su-Azian @ Muzaffar Bin Abd Rahman	12 May 2017	Corporate Governance Talk by Dato' Mohd Hanif Bin Sher Mohamed, Protasco Berhad
Dato' Tan Yee Boon	10 Feb 2017	Transfer Pricing, Hong Kong
	15 Feb 2017	Analysis on 2017 Worldwide Acquisition Transactions, Hong Kong
Ir Tan Heng Kui	18 May 2017	Companies Act 2016, Boardroom Corporate Services (KL) Sdn Bhd
	20 July 2017	Sustainability Reporting – What is It and How To Go About Reporting by MIRA
Suhaimi Bin Badrul Jamil	27 Sept 2017	Advocacy Sessions on Corporate Disclosure for Directors and Principal Officers of Listed Issuers, Bursa Malaysia
	7 & 8 Nov 2017	MIA International Accountants Conference by MIA
	18 Nov 2017	Valuation on Mergers and Acquisitions by MIA
Lim Yew Ting	20 July 2017	Sustainability Reporting – What is It and How To Go About Reporting by MIRA
	7 Nov 2017	Integrating An Innovation Mindset with Effective Governance, Bursa Malaysia

FINANCIAL REPORTING

The Board takes responsibility to ensure that financial statements are prepared in accordance with the regulatory requirements and applicable financial reporting in Malaysia. The Board deliberates on financial statements and ensure that the Group has used appropriate accounting policies, supported by reasonable and prudent judgment and estimates. The Audit Committee assists the Board by scrutinising the information to be disclosed. The Group's financial statements are presented in pages 66 to 184 of this Annual Report.

THE ROLE OF AUDIT COMMITTEE (AC) IN RELATION TO FINANCIAL REPORTING

The AC plays an important part in the Company's financial integrity for the shareholders. In general, the AC assumes the following responsibilities:

- Understand management's responsibilities and representations
- Understand and assess the appropriateness of management's selection of accounting principles and the most critical accounting policies
- Understand management's judgments and accounting estimates applied in financial reporting
- Review and monitor the suitability and independence of external auditors
- Confer with both management and the external auditors about the financial statements
- Assess whether financial statements are complete and fairly present, in all material respects, the financial position of the company and that disclosures are clear and transparent
- Review earnings releases, financial statements, and other information presented with the financial statements prior to release
- Review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work
- Ensure that external audit and internal audit complement each other and that their efforts are coordinated and effective

RELATIONSHIP WITH THE AUDITORS

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

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE

External Auditors

The Audit Committee met the external auditors twice during the year under review on 4 April 2017 and 24 November 2017 without the presence of the Executive Directors and Management to exchange independent views on matters which require the Committee attention.

The Audit Committee had assessed the suitability and independence of the external auditors. In its assessment, the Audit Committee considered several factors such as adequacy of experience, resources of the firm, the professional staff assigned to the audit, independence of Crowe Horwath and the level of non-audit services rendered by Crowe Horwath for FY2017.

Crowe Horwath confirmed that they have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements for the FY2017.

Being satisfied with Crowe Horwath's performance, technical competency and audit independence, the Audit Committee recommended to the Board to put forth a proposal for the re-appointment of Crowe Horwath as external auditors for financial year ending 2018 at the forthcoming Annual General Meeting.

Internal Auditors

The Board acknowledges their responsibility for the Group's system of internal controls and reviews its effectiveness regularly via the Internal Audit Department which provides support to the Audit Committee in dispensing its responsibilities with respect to the adequacy and integrity of the system of internal control within the Group. The internal audit function is independent of the operations of the Group and reports directly to the Audit Committee.

The works of the internal auditors during 2017 is set out in the Audit Committee Report on pages 50 to 51 in this Annual Report.

BOARD RISK MANAGEMENT COMMITTEE

The Board has established a Board Risk Management Committee to oversee the internal controls and risk management processes.

A Group Risk Management Committee is assisting the Board Risk Management Committee in identifying, mitigating and monitoring the risk of the Group.

The Group Risk Management Committee comprising of management staff from the Accounts & Finance Department, Group Corporate Office and Construction Division.

Significant risk matters that require the attention of the Board are reported to the Board Risk Management Committee.

The Statement on Risk Management and Internal Control as set out in pages 60 to 63 of this Annual Report.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee meets as and when necessary and ensures that the main Board appointments, including the composition of the Board Committee, due consideration of both external and internal candidates is given prior to making recommendations to the Board, review the performance of the Directors and Board Committees and to review Executive Directors' remunerations.

The Board has during the year appointed a female director. The Board understands the benefits of boardroom diversity and that all appointments are made on merit, regardless of gender. The Board is constantly looking for suitable female candidates to be appointed to the Board.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE

A summary of the Nomination and Remuneration Committee's activities during the year is set out below:

- Evaluation and review of the performance of the Directors and Board Committees;
- Review the terms of office and performance of Audit Committee and each of its members;
- Review training needs of Directors;
- Directors' indemnity insurance coverage;
- Directors standing for re-election at the forthcoming Annual General Meeting; and
- Nominations of new Directors.

REMUNERATION POLICY

Details of the Directors' Remuneration for the financial year ended 31 December 2017 are as follows:

	Director's Fee		Salary/Bonus/Benefits		Total
	Protasco Bhd (RM)	Subsidiary (RM)	Protasco Bhd (RM)	Subsidiary (RM)	
Tan Sri Datuk Dr Hadenan Bin A Jalil	120,000	60,000	6,000	-	186,000
Dato' Sri Ir Chong Ket Pen	-	-	2,409,467	-	2,409,467
Dato' Mohd Hanif Bin Sher Mohamed	60,000	60,000	12,000	1,000	133,000
Dato' Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman	-	-	-	633,549	633,549
Dato' Tan Yee Boon	60,000	-	15,000	-	75,000
Ir Tan Heng Kui	60,000	36,000	9,000	4,680	109,680
Suhaimi Bin Badrul Jamil	60,000	-	12,000	-	72,000
Lim Yew Ting	60,000	-	8,000	-	68,000
Tham Wei Mei (Appointed on 1 January 2018)	N/A		N/A		N/A

Top five Senior Management's Remuneration for the financial year ended 31 December 2017 are as follows:

Senior Management	
1. Mohd Taufik Bin Haron	RM250,001 – RM300,000
2. Low Kian Seng	
3. Ho Chun Fuat	RM300,001 – RM350,000
4. Ir Edward Khoo Mong Wei	
5. Dato' Ir Kenny Chong Ther Nen	RM450,001 – RM500,000

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE

EMPLOYEES' SHARES SCHEME COMMITTEE

Employees' Shares Scheme Committee was established with delegated authority to assist the Board to administer the scheme in accordance with the Employees' Shares Scheme By-Laws and the Main Market Listing Requirements.

The Employees' Shares Scheme Committee also oversees the Management's implementation of the scheme with regard to the eligibility of the employees to participate in the scheme, shares grant, option offers, offer date, basis of allotment, exercise of option and option allocations as well as dispute and termination issues in relation to the scheme in line with the Employees' Shares Scheme By-Laws.

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

CORPORATE DISCLOSURE

To ensure quality disclosure, the Company has a corporate disclosure policy to ensure accurate, clear and timely disclosure of material information and take reasonable steps to ensure that the general public has access to such information. The Company is committed to communicate the Company's strategy, operational performance, financial results, and other materials developments to Bursa Malaysia, analysts, investors, shareholders, and other stakeholders in a timely, open, comprehensive manner.

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

GROUP CORPORATE WEBSITE

The Board is committed to leverage on information technology for effective dissemination of information on a timely manner. Protasco's corporate website (www.protasco.com.my) provides easy access to information about the Group. Information available on the corporate website includes Protasco's corporate profile, individual profiles of senior management, share and dividend information including investor presentations, financial results, annual reports and corporate news.

In addition, stakeholders can obtain regulatory announcements made by Protasco to Bursa Malaysia at www.bursamalaysia.com.

ANNUAL REPORT

The Company's annual report provides a comprehensive report on the Group's operations and financial performance for the year under review. It provides full disclosure and is in compliance with the relevant regulations to ensure greater transparency. The annual reports are also printed in summary form together with a digital version of the annual report in CD-ROM format. An online version of the Annual Report is also available on Protasco's corporate website.

ANNUAL GENERAL MEETING (AGM)

The AGM is the main delivery channel for dialogue with all shareholders. They are encouraged and are given ample opportunities to enquire about the Groups' activities and prospects as well as to communicate their expectations and concerns.

The notices of AGM are sent out to shareholders at least 28 days before the date of the meeting exceeding the 21 days requirement under the Companies Act 2016 and Listing Requirements.

Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Shareholders can also contact the Company with their queries.

Shareholders are encouraged to be aware of their rights with regards to the convening of general meetings, appointment of proxies, demand for poll voting and access to information. The details of the shareholder's rights are available at www.protasco.com.my.

POLL VOTING

In line with the listing requirements on strengthening good Corporate Governance Practice, the Company had conducted voting in General Meeting via electronic poll voting method. An independent party is appointed to carry out the polling.

INVESTOR RELATIONS

The Company's Investor Relations Department plays an important role in conducting regular dialogues and discussions with shareholders, fund managers, journalists and financial analysts to update them on business performance, operations and corporate developments as well as obtaining feedback and discuss matters of common interests.

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

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

Contact Person:
Han Long Kong, Director, Investor Relations Department
Tel : 603-8738 3388 Fax : 603-8926 4008
Email : lkhan@protasco.com.my

This statement is prepared in compliance to the Main Market Listing Requirements (MMLR) and it is to be read together with the CG Report 2017 of the Company (CG Report) which is available at Protasco Berhad's website, www.protasco.com.my.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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This Statement on Risk Management and Internal Control is made pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, which was prepared in accordance with Practice 9.1 and 9.2 of the Malaysian Code of Corporate Governance and the Statement of Risk Management and Internal Control – Guidelines for Directors of Listed Issuers (Guidelines).

RESPONSIBILITY

The Board acknowledges its responsibility for the Group's system of internal controls and risk management which includes the establishment and reviewing the adequacy and integrity of the systems. The Board however recognises that this system is designed to manage rather than eliminate the risks completely. As such, it should be noted that it only provides reasonable assurance against its occurrence of any material misstatement, operational failure, loss or fraud.

The Board does not review the internal control systems of associate companies where the Group does not have any direct control over their operations. Notwithstanding the above, the Group's interests are served through representation on the boards of the respective companies and the receipt and review of the management accounts and enquiries thereon.

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

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

RISK MANAGEMENT FRAMEWORK

The Board Risk Management Committee, which is guided by its Terms of Reference, was established to assist the Board to oversee the overall compliance to relevant laws and regulations, internal policies and procedures. The Board Risk Management Committee also review investment proposals that are significant from a risk perspective, especially overseas ventures. Upon review of the proposals, the proposals will be recommended to the Board of Directors for approval. The Board Risk Management Committee monitor the execution of risk migration for those proposals and to ensure that the risk mitigation strategies are implemented in accordance with Board of Director's approval.

The members of the Board Risk Management Committee are:

Members	Directorship	Roles
Suhaimi Bin Badrul Jamil	Independent Non-Executive Director	Chairman
Dato' Tan Yee Boon	Independent Non-Executive Director	Member
Ir Tan Heng Kui	Non-Independent Non-Executive Director	Member

The management, through its Risk Management Committee (RMC), is responsible to continuous monitoring and management of the risks of the Group.

The members of the RMC are:

Members	Designation
Chief Financial Officer	Chairman
Executive Director, Group Corporate Office	Committee Member
Executive Director, Construction	Committee Member
Group Financial Controller	Committee Member

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Group's Risk Assessment Process is depicted as follows:



The Group adopts an enterprise wide risk management approach. The Head of Divisions are responsible to identify, analyse and evaluate their respective division's risk profile. Risks identified are evaluated based on their potential impact on the Group, the likelihood of occurrence as well as the effectiveness of available control procedures. The Business Risk Profile, where identified risks are recorded, is reviewed and updated on an ongoing basis. The review and update of the risk profile includes identification of risks resulting from changes business environment, both external and internal.

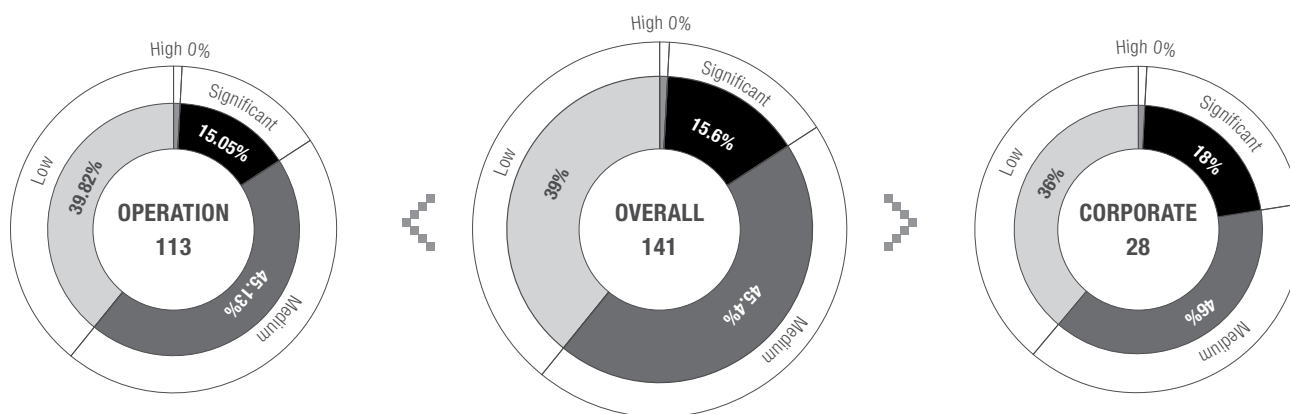
Significant risk matters that require the attention of the Board are reported to the Board Risk Management Committee/Audit Committee.

THE GROUP'S RISKS

Overview

NET RISK PORTFOLIO FOR FY2017

OVERALL NET RISK PORTFOLIO - OPERATION & CORPORATE



	Maintenance	Construction	Trading	Engineering & Consultancy	Investment Properties	Property Development	Property Services	Education	TOTAL
High	0	0	0	0	0	0	0	0	0
Significant	0	5	3	2	5	0	1	1	17
Medium	8	5	5	3	10	3	5	12	51
Low	5	1	2	12	1	5	4	15	45
TOTAL	13	11	10	17	16	8	10	28	113

	Accounts & Finance	Human Resources	TOTAL
High	0	0	0
Significant	0	5	5
Medium	6	7	13
Low	10	0	10
TOTAL	16	12	28

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The significant risks faced by the Group for the financial year ended 31 December 2017 are categorised as follows:

Type of Risk	Description of Risk	Impact of Risk
CONSTRUCTION DIVISION		
Operation	Late completion of projects	Imposition of LAD
Operation	Incompetent subcontractor	Low productivity
Financial	Availability of funding	Delay in execution of works
PROPERTY DEVELOPMENT DIVISION		
Financial	Ability to secure project financing at the best margin of financing and interest rate	Unable to finance the development
INVESTMENT PROPERTIES UNIT		
Safety and Security	Terrorism, Fire, Vandalism and Theft	Loss of revenue due to low traffic volume Loss of asset value
Competition	Rental rate	Loss of revenue
Finance	Credit control	Impairment loss
ENGINEERING AND CONSULTANCY DIVISION		
External	Sustainability and enhancement of IKRAM Brand	Loss of existing and potential clients and loss of revenue
External	Long Term Service Agreement	No direct award and loss of revenue
EDUCATION DIVISION		
External	Compliance of MQA and Professional Bodies policies and programme standards	Drop in student intake
TRADING AND MANUFACTURING DIVISION		
External	Agency License Agreement	Loss of revenue
HUMAN RESOURCES DEPARTMENT		
Employee Relation	Talent capabilities, retention of talent	Loss of key personals Disruption of operations

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

KEY ELEMENTS OF INTERNAL CONTROL

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

1. Control Environment

- The Board demonstrates a commitment to integrity and ethical values.
- The Board established the Board Audit and Risk Management Committee comprises of Non-Executive Directors, all of whom are Independent Directors. The Committee primarily assist the Board in reviewing the organisational risk and internal control with the assistance of the Risk Management and Internal Audit Department.
- Well-defined lines of responsibilities for the Board, management and each operating unit within the Group; including authorisation level on day-to-day operation.
- The Board and Management holds individuals accountable for their internal control responsibility.

2. Risk Assessment

- The Management of each divisions are responsible to assess, review and update their division's risk profile.
- The Management to identify and assess changes that could significantly impact the system internal control.

3. Control Activities

- Each operating unit undertakes business planning and budgeting process each year which are appraised at regular interval.
- The Group review, assess and update to improve the policy that establish what is expected and procedures that put policies into action.

4. Information and Communication

- The Business Risk Profile, where identified risks are recorded, is updated on an ongoing basis and presented to the Risk Management Committee on a half-yearly basis.
- Significant risk matters that require the attention of the Board are reported to the Board Risk Management Committee/Audit Committee.
- The Group's quarterly financial performance is presented to the Board for review and approval.

5. Monitoring

- The Group perform and evaluate internal control system (e.g. Internal Audit) to ascertain its adequacy and effectiveness.
- The Group perform follow up on the Management's response and action plans stated in the reports from tests and evaluations carried out.

CONCLUSION

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

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The Statement has been reviewed by the External Auditors for the inclusion in the Annual Report of the Company for the year ended 31 December 2017 and reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of the risk management and internal controls.

OTHER COMPLIANCE INFORMATION

1. AUDIT AND NON-AUDIT FEES

The details of total audit and non-audit fees paid/payable to the external auditors of the Company for the financial year ended 31 December 2017 were as follows:

	RM'000
Audit Fees	567
Non-Audit Fees [#]	80

[#] Fees incurred primarily in relation to advisory services.

2. MATERIAL CONTRACTS

Other than as disclosed in Note 47 of the Financial Statements, 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.

3. EMPLOYEES' SHARE SCHEME ("ESS")

There were no ESS shares granted or ESS options vested during the financial year.

4. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

Not Applicable.

5. RECURRENT RELATED PARTY TRANSACTIONS

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

6. GOING CONCERN STATEMENT

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

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors hereby submit their annual report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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

RESULTS

	The Group RM'000	The Company RM'000
Profit after taxation for the financial year	46,423	23,250
Attributable to:		
Owners of the Company	28,063	23,250
Non-controlling interests	18,360	-
	46,423	23,250

DIVIDENDS

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

- (a) paid a first interim dividend of 3 sen per ordinary share amounting to RM12,726,342 in respect of the financial year ended 31 December 2016 on 23 January 2017 as declared in the directors' report of that financial year;
- (b) paid a second dividend of 3 sen per ordinary share amounting to RM12,726,312 in respect of the financial year ended 31 December 2016 on 6 July 2017 as declared in the directors' report of that financial year; and
- (c) declared a first dividend of 3 sen per ordinary share amounting to RM12,726,282 in respect of the financial year ended 31 December 2017 and paid on 26 January 2018.

The Directors also declared a second dividend of 2.5 sen per ordinary share amounting to approximately RM12,372,775 in respect of the financial year ended 31 December 2017 computed based on the enlarged issued and paid-up share capital of approximately 494,910,983 ordinary shares, adjusted for the proposed bonus issue of shares as disclosed in Note 52 to the financial statements. The financial statements for the current financial year do not reflect this dividend and will be accounted for as a liability in the financial year ending 31 December 2018.

DIRECTORS' REPORT

RESERVES AND PROVISIONS

These were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year:

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

TREASURY SHARES

During the financial year, the Company purchased 2,000 (2016 - 359,500) of its issued ordinary shares from the open market at market prices ranging from RM0.99 to RM1.05 (2016 - RM1.23 to RM1.54) per share. The total consideration paid for the purchase including transaction costs amounted to RM2,129 (2016 - RM500,296). The shares purchased were retained as treasury shares in accordance with the requirement of Section 127(6) of the Companies Act 2016 and presented as a deduction from equity.

There was no resale of issued ordinary shares that were held as treasury shares during the financial year.

As at 31 December 2017, the Company held as treasury shares a total of 483,500 (2016 - 481,500) of its 424,692,914 (2016 - 424,692,914) issued and paid-up ordinary shares. The treasury shares are held at a carrying amount of RM761,893 (2016 - RM759,765). The details are disclosed in Note 23 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

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

BAD AND DOUBTFUL DEBTS

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

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

DIRECTORS' REPORT

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS' REPORT

DIRECTORS

The names of Directors of the Company who served during the financial year and up to the date of this report are as follows:

Tan Sri Datuk Dr Hadenan Bin A. Jalil
Dato' Sri Chong Ket Pen
Dato' Mohd Hanif Bin Sher Mohamed
Tan Heng Kui
Dato' Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman
Dato' Tan Yee Boon
Suhaimi Bin Badrul Jamil
Lim Yew Ting
Tham Wei Mei (Appointed on 1 January 2018)

The names of Directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are disclosed in Appendix A to the financial statements.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares			
	At 1.1.2017	Bought	Sold	At 31.12.2017
<i>Direct Interests</i>				
Tan Sri Datuk Dr Hadenan Bin A. Jalil	187,500	-	-	187,500
Dato' Sri Chong Ket Pen	57,839,177	7,621,500	-	65,460,677
Dato' Mohd Hanif Bin Sher Mohamed	196,250	72,800	-	269,050
Tan Heng Kui	7,682,375	-	-	7,682,375
Dato' Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman	750,000	-	-	750,000
Dato' Tan Yee Boon	100,000	-	(100,000)	-
Suhaimi Bin Badrul Jamil	25,000	-	-	25,000
<i>Indirect Interests</i>				
Dato' Sri Chong Ket Pen^^	43,604,562	50,000	-	43,654,562
Dato' Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman#	3,125,000	-	-	3,125,000

Notes:

^^ Deemed interest by virtue of his substantial shareholdings in Penmacorp Sdn Bhd which in turn is a substantial shareholder of the Company pursuant to Section 8 of the Companies Act 2016 as well as his spouse and children's shareholdings in the Company pursuant to Section 59(1)(c) of the Companies Act 2016.

Deemed interest by virtue of his substantial shareholdings in Rencana Berkas Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D)

By virtue of his interest in the Company, Dato' Sri Chong Ket Pen is deemed to have interests in shares in the subsidiaries to the extent of the Company's interest, in accordance with Section 8 of the Companies Act 2016.

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

DIRECTORS' BENEFITS

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

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

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Group and the Company during the financial year are disclosed in Note 38 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and certain officers of the Company were RM30,000,000 and RM63,610 respectively. No indemnity was given to or insurance effected for auditors of the Company.

DIRECTORS' REPORT

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 51 to the financial statements.

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 52 to the financial statements.

AUDITORS

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

The auditors' remuneration are disclosed in Note 37 to the financial statements.

Signed in accordance with a resolution of the directors dated 16 April 2018.

Dato' Sri Chong Ket Pen

Dato' Mohd Hanif Bin Sher Mohamed

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Sri Chong Ket Pen and Dato' Mohd Hanif Bin Sher Mohamed, being two of the directors of Protasco Berhad, state that, in the opinion of the directors, the financial statements set out on pages 79 to 184 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2017 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 16 April 2018.

Dato' Sri Chong Ket Pen

Dato' Mohd Hanif Bin Sher Mohamed

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Ho Chun Fuat, MIA Membership Number: 8372, being the officer primarily responsible for the financial management of Protasco Berhad, do solemnly and sincerely declare that the financial statements set out on pages 79 to 184 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned

Ho Chun Fuat

at Kuala Lumpur in the Federal Territory

on this 16 April 2018

Ho Chun Fuat

Before me

Lai Din

W668

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PROTASCO BERHAD (INCORPORATED IN MALAYSIA)
COMPANY NO: 548078 - H

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Protasco Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 79 to 184.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws* (on *Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PROTASCO BERHAD (INCORPORATED IN MALAYSIA)
COMPANY NO: 548078 - H

Key Audit Matters (Cont'd)

Revenue and Profit Recognition for Construction Contracts Refer to Note 4.1.1(d), Note 4.25(d) and Note 36 to the financial statements	
Key Audit Matter	How our audit addressed the key audit matter
Construction contract accounting is inherently complex due to the contracting nature of the business, which involves significant judgements. This includes the determination of the total budgeted contract costs to complete the projects and the calculation of percentage of completion which affects the quantum of revenue and profit to be recognised. In estimating the revenue to be recognised, the management considers past experience and work done certified by customers and/or independent third parties, where applicable. In estimating the total budgeted contract costs to completion, the management considers the completeness and accuracy of its costs estimation, including its obligations to contract variations and claims. The total costs to completion are subject to a number of variables including the accuracy of designs, market conditions in respect of materials and sub-contractor cost and construction issues. An error in the estimated profit on contracts could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period. The profit recognition on contract includes key judgements over the expected recovery of costs arising from variations and claims and assessment on liquidated and ascertained damages costs, where applicable. In addition, changes in judgements, and the related estimates, as contracts progress, can result in material adjustments to margin, which can be both positive and negative. The potential outcome for contracts can have an individually and collectively material impact on the financial statements, whether through error or management bias. We determined this to be a key audit matter due to the complexity and judgemental nature of the budgeting of contract costs to completion, calculation of percentage of completion and the determination of revenue and profit to be recognised.	Our procedures included, amongst others: • read all key contracts and discussed with management to obtain a full understanding of the terms and risks to assess our consideration of whether revenue was appropriately recognised; • testing the operating effectiveness of internal controls over the completeness, accuracy and timing of revenue recognised in the financial statements; • assessing the management's assumptions in determining the percentage of completion of projects, estimations of revenue and costs, provisions for foreseeable losses, liquidated and ascertained damages as well as recoverability of billed receivables and costs incurred on variation orders; • assessing the reasonableness of percentage of completion by comparing to certification by external parties; • assessing the estimated profit and costs to completion, adjustments for job costing and potential contract losses; • performing subsequent event review to support year-end judgements; • assessing whether the amounts recognised in the financial statements were in line with the Group's accounting policy and relevant accounting standards; and • considering the adequacy of the Group's disclosures in respect of the judgements taken with respect to profit recognition and the key risks relating to these amounts.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PROTASCO BERHAD (INCORPORATED IN MALAYSIA)
COMPANY NO: 548078 - H

Key Audit Matters (Cont'd)

Impairment of Trade Receivables Refer to Note 4.1.1(c), Note 15 and Note 49.1(b) in the financial statements	
Key Audit Matter	How our audit addressed the key audit matter
As at 31 December 2017, trade receivables that were past due and not impaired amounted to RM167.8 million. The details of trade receivables and its credit risk are disclosed in Note 15 and Note 49.1(b) to the financial statements. The management applied assumptions in assessing the level of allowance for impairment losses on trade receivables based on the following: • specific known facts or circumstances on customers' ability to pay; or • by reference to past default experience. The impairment assessment involves significant judgements and there is inherent uncertainty in the assumptions applied by the management to determine the level of allowance. We determined this to be a key audit matter due to the significant judgements and level of uncertainty involved in assessing the recoverability of trade receivables.	Our procedures included, amongst others: • testing on the account receivables ageing to ascertain the accuracy of the underlying information used to assess the adequacy of impairment loss of trade receivables; • testing payment history of major customers during the financial year and after the year end; • evaluating the credit standing of the customers with reference to payment history; • evaluating the Directors' judgements on recoverability, taking into account specific customer circumstances known to the Directors, and publicly available data on liquidations and insolvencies post year-end; • testing the retention balances due by: (i) corroborating the value of the retention to customer correspondence and original contracts; and (ii) reviewing the status of the projects and formed a conclusion on the recoverability of the balance in light of the evidence presented; and • considering the adequacy of the Group's disclosures in this area.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PROTASCO BERHAD (INCORPORATED IN MALAYSIA)
COMPANY NO: 548078 - H

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PROTASCO BERHAD (INCORPORATED IN MALAYSIA)
COMPANY NO: 548078 - H

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As a part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PROTASCO BERHAD (INCORPORATED IN MALAYSIA)

COMPANY NO: 548078 - H

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath

Firm No: AF 1018
Chartered Accountants

16 April 2018

Kuala Lumpur

Chua Wai Hong

Approval No: 02974/09/2019 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	The Group		The Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investment in subsidiaries	5	-	-	162,506	162,506
Investment in associates	6	3,693	307	-	-
Property, plant and equipment	7	199,354	205,643	75	85
Investment properties	8	82,125	94,899	-	-
Land held for property development	9	17,389	29,654	-	-
Goodwill on consolidation		36	36	-	-
Long-term investments	10	175	225	-	-
Deferred tax assets	11	1	15	-	-
		302,773	330,779	162,581	162,591
CURRENT ASSETS					
Inventories	12	21,083	26,103	-	-
Property development costs	13	17,581	3,347	-	-
Amount owing by contract customers	14	37,808	510,718	-	-
Trade receivables	15	388,631	267,291	-	-
Other receivables, deposits and prepayments	16	30,496	20,542	97	244
Amount owing by subsidiaries	17	-	-	106,338	107,892
Amount owing by associates	18	4,886	845	-	-
Current tax assets		14,345	18,146	-	-
Short-term investments	19	18,867	72,883	151	147
Deposits with licensed banks	20	106,606	35,307	1,000	1,000
Cash and bank balances	21	111,534	102,423	1,527	1,151
		751,837	1,057,605	109,113	110,434
TOTAL ASSETS					
		1,054,610	1,388,384	271,694	273,025

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		The Group		The Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	22	212,346	212,346	212,346	212,346
Treasury shares	23	(762)	(760)	(762)	(760)
Share premium	24	37,508	37,508	37,508	37,508
Foreign exchange translation reserve	26	(10,614)	(11,375)	-	-
Capital reserve	27	8,875	8,875	-	-
Retained profits	28	148,699	146,089	2,550	4,753
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		396,052	392,683	251,642	253,847
Non-controlling interests		25,830	14,735	-	-
TOTAL EQUITY		421,882	407,418	251,642	253,847
NON-CURRENT LIABILITIES					
Deferred tax liabilities	11	8,860	8,645	-	-
Long-term borrowings	29	95,367	95,089	-	-
		104,227	103,734	-	-
CURRENT LIABILITIES					
Trade payables	32	362,300	350,448	-	-
Other payables and accruals	33	32,332	45,011	398	721
Amount owing to subsidiaries	17	-	-	3,979	3,000
Dividend payable		12,726	12,726	12,726	12,726
Current tax liabilities		5,874	7,467	2,804	2,731
Short-term borrowings	34	98,868	421,886	-	-
Bank overdrafts	35	16,401	39,694	145	-
		528,501	877,232	20,052	19,178
TOTAL LIABILITIES		632,728	980,966	20,052	19,178
TOTAL EQUITY AND LIABILITIES		1,054,610	1,388,384	271,694	273,025

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	The Group		The Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
REVENUE	36	939,277	1,110,207	33,518	44,000
COST OF SALES		(723,747)	(893,104)	-	-
GROSS PROFIT		215,530	217,103	33,518	44,000
OTHER INCOME		6,293	10,374	15	240
ADMINISTRATIVE EXPENSES		(45,202)	(45,143)	(10,047)	(11,973)
OTHER EXPENSES		(89,225)	(97,289)	-	-
PROFIT FROM OPERATIONS		87,396	85,045	23,486	32,267
FINANCE COSTS		(18,141)	(7,276)	(260)	(115)
SHARE OF NET PROFIT/(LOSS) OF EQUITY ACCOUNTED ASSOCIATES		1,072	(229)	-	-
PROFIT BEFORE TAXATION	37	70,327	77,540	23,226	32,152
INCOME TAX EXPENSE	39	(23,904)	(25,057)	24	18
PROFIT AFTER TAXATION		46,423	52,483	23,250	32,170
OTHER COMPREHENSIVE EXPENSES:					
Item that may be reclassified subsequently to profit or loss:					
- Foreign currency translation differences		991	164	-	-
		991	164	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		47,414	52,647	23,250	32,170

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	The Group		The Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
PROFIT AFTER TAXATION ATTRIBUTABLE TO:					
Owners of the Company		28,063	42,387	23,250	32,170
Non-controlling interests		18,360	10,096	-	-
		46,423	52,483	23,250	32,170
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Company		28,824	42,599	23,250	32,170
Non-controlling interests		18,590	10,048	-	-
		47,414	52,647	23,250	32,170
EARNINGS PER SHARE (SEN)					
	40				
Basic		6.62	10.04		
Diluted		6.62	10.04		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share Capital RM'000	Treasury Shares RM'000	Non-Distributable				Distributable		Attributable to Owners of the Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
			Share Premium RM'000	Employee Share Option Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000				
The Group											
At 1.1.2016	168,690	(2,360)	76,536	1,293	(11,496)	8,875	134,119	375,657	33,659	409,316	
Profit after taxation for the financial year	-	-	-	-	-	-	42,387	42,387	10,096	52,483	
Other comprehensive income for the financial year:											
- foreign currency translation	-	-	-	-	212	-	-	212	(48)	164	
Total comprehensive income for the financial year	-	-	-	-	212	-	42,387	42,599	10,048	52,647	
Balance carried forward	168,690	(2,360)	76,536	1,293	(11,284)	8,875	176,506	418,256	43,707	461,963	

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	The Group	Note	Share Capital RM'000	Treasury Shares RM'000	Non-Distributable				Distributable		Attributable to Owners of the Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
					Share Premium RM'000	Employee Share Option Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000				
			168,690	(2,360)	76,536	1,293	(11,284)	8,875	176,506	418,256	43,707	461,963	
	Balance brought forward												
	Contributions by and distribution to owners of the Company:												
	Issuance of new shares	22	43,656	-	(39,804)	-	-	-	-	3,852	-	3,852	
	Share issue expenses	24	-	-	(187)	-	-	-	-	(187)	-	(187)	
	Transfer to share premium upon exercise of share options	24 & 25	-	-	963	(963)	-	-	-	-	-	-	
	Share option forfeited during the financial year	25	-	-	-	(330)	-	-	134	(196)	-	(196)	
	Disposal of a subsidiary		-	-	-	-	(91)	-	-	(91)	(296)	(387)	
	Changes in ownership in subsidiaries that do not result in loss of control	42	-	-	-	-	-	-	(1,004)	(1,004)	1,004	-	
	Treasury shares acquired	23	-	(500)	-	-	-	-	-	(500)	-	(500)	
	Treasury shares sold	23	-	2,100	-	-	-	-	53	2,153	-	2,153	
	Dividends:												
	- by the Company	41	-	-	-	-	-	-	(29,600)	(29,600)	-	(29,600)	
	- by subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	(29,680)	(29,680)	
	Total transactions with owners of the Company		43,656	1,600	(39,028)	(1,293)	(91)	-	(30,417)	(25,573)	(28,972)	(54,545)	
	Balance as at 31.12.2016		212,346	(760)	37,508	-	(11,375)	8,875	146,089	392,683	14,735	407,418	

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share Capital RM'000	Treasury Shares RM'000	Non-Distributable			Distributable		Attributable to Owners of the Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
			Share Premium RM'000	Foreign Exchange Translation Reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000				
The Group										
At 1.1.2017	212,346	(760)	37,508	(11,375)	8,875	146,089	392,683	14,735	407,418	
Profit after taxation for the financial year	-	-	-	-	-	28,063	28,063	18,360	46,423	
Other comprehensive income for the financial year:										
- foreign currency translation	-	-	-	761	-	-	761	230	991	
Total comprehensive income for the financial year	-	-	-	761	-	28,063	28,824	18,590	47,414	
Balance carried forward	212,346	(760)	37,508	(10,614)	8,875	174,152	421,507	33,325	454,832	

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share Capital RM'000	Treasury Shares RM'000	Non-Distributable			Distributable		Attributable to Owners of the Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
			Share Premium RM'000	Foreign Exchange Translation Reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000				
The Group	212,346	(760)	37,508	(10,614)	8,875	174,152	421,507	33,325	454,832	
Balance brought forward										
Contributions by and distribution to owners of the Company:										
	-	-	-	-	-	-	-	-	88	88
43	-	-	-	-	-	-	-	-	(903)	(903)
23	-	(2)	-	-	-	-	(2)	-	-	(2)
Dividends:										
41	-	-	-	-	-	(25,453)	(25,453)	-	-	(25,453)
	-	-	-	-	-	-	-	(6,680)	(6,680)	(6,680)
Total transactions with owners of the Company										
	212,346	(762)	37,508	(10,614)	8,875	148,699	396,052	25,830	421,882	
Balance as at 31.12.2017										

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Share Capital RM'000	Treasury Shares RM'000	Non-Distributable		Distributable	Total Equity RM'000
				Share Premium RM'000	Employee Share Option Reserve RM'000	Retained Profits RM'000	
The Company							
At 1.1.2016		168,690	(2,360)	76,536	1,293	1,996	246,155
Profit after taxation/Total comprehensive income for the financial year		-	-	-	-	32,170	32,170
Contributions by and distribution to owners of the Company:							
Issuance of new shares	22	43,656	-	(39,804)	-	-	3,852
Share issuance costs	24	-	-	(187)	-	-	(187)
Transfer to share premium upon exercise of share options	24 & 25	-	-	963	(963)	-	-
Share options forfeited during the financial year	25	-	-	-	(330)	134	(196)
Treasury shares acquired	23	-	(500)	-	-	-	(500)
Treasury shares sold	23	-	2,100	-	-	53	2,153
Dividends	41	-	-	-	-	(29,600)	(29,600)
Total transactions with owners of the Company		43,656	1,600	(39,028)	(1,293)	(29,413)	(24,478)
Balance at 31.12.2016		212,346	(760)	37,508	-	4,753	253,847

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Share Capital RM'000	Treasury Shares RM'000	Non- Distributable	Distributable	Total Equity RM'000
				Share Premium RM'000	Retained Profits RM'000	
The Company						
At 1.1.2017		212,346	(760)	37,508	4,753	253,847
Profit after taxation/Total comprehensive income for the financial year		-	-	-	23,250	23,250
Contributions by and distribution to owners of the Company:						
Treasury shares acquired	23	-	(2)	-	-	(2)
Dividends	41	-	-	-	(25,453)	(25,453)
Total transactions with owners of the Company		-	(2)	-	(25,453)	(25,455)
Balance at 31.12.2017		212,346	(762)	37,508	2,550	251,642

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit before taxation	70,327	77,540	23,226	32,152
Adjustments for:				
Bad debts written off	-	135	-	-
Depreciation of investment properties	1,701	1,157	-	-
Depreciation of property, plant and equipment	15,352	15,471	26	23
Impairment losses on trade and other receivables	1,443	7,232	-	-
Interest expense	21,878	24,770	260	115
Property, plant and equipment written off	114	464	-	-
Gain on disposal of property, plant and equipment	(240)	(1,511)	-	-
Gain on disposal of subsidiaries	(208)	(1,756)	-	-
Gross dividends from subsidiaries	-	-	(28,500)	(39,000)
Income from short-term investments	(301)	(1,218)	(13)	(16)
Interest income	(1,378)	(1,698)	(2)	(2)
Share of net (profit)/loss of equity accounted associates	(1,072)	229	-	-
Share options forfeited during the financial year	-	(196)	-	(196)
Unrealised foreign exchange gain	(14)	-	-	-
Waiver of debts	-	(152)	-	-
Writeback of impairment losses on trade and other receivables	(476)	(3,371)	-	-
Operating profit/(loss) before working capital changes	107,126	117,096	(5,003)	(6,924)
Decrease/(Increase) in inventories	5,020	(21,557)	-	-
(Increase)/Decrease in property development costs	(1,969)	12,782	-	-
Decrease/(Increase) in amount owing by contract customers	472,910	(190,394)	-	-
(Increase)/Decrease in amount owing by associates	(4,034)	4,236	-	-
(Increase)/Decrease in trade and other receivables	(132,366)	16,845	147	(128)
Increase/(Decrease) in trade and other payables	10,774	(48,449)	(323)	(292)
CASH FROM/(FOR) OPERATIONS	457,461	(109,441)	(5,179)	(7,344)
Interest paid	(21,229)	(24,770)	(260)	(115)
Income tax paid	(21,956)	(36,340)	97	(23)
NET CASH FROM/(FOR) OPERATING ACTIVITIES				
CARRIED FORWARD	414,276	(170,551)	(5,342)	(7,482)

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	The Group		The Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
NET CASH FROM/(FOR) OPERATING ACTIVITIES					
BROUGHT FORWARD		414,276	(170,551)	(5,342)	(7,482)
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES					
Investment in an associate		-	(20)	-	-
Interest received		1,371	1,698	2	2
Income from short-term investments received		301	1,218	13	16
Net dividend received from subsidiaries		-	-	28,500	39,000
Additional investment in subsidiaries		-	-	-	(14,000)
Net cash outflow from disposal of subsidiaries	43	(2,315)	(258)	-	-
Net withdrawal/(placement) of:					
- cash and bank pledged to bank		-	(83)	-	-
- deposit pledged to bank		1,131	(1,103)	-	(1,000)
- short-term investments with maturity period above 3 months		8,621	(10,030)	-	-
Proceeds from disposal of property, plant and equipment		4,207	7,036	-	-
Purchase of property, plant and equipment	44(a)	(12,583)	(11,303)	(16)	(16)
Addition of investment property		-	(27,700)	-	-
Purchase of treasury shares		(2)	(500)	(2)	(500)
Resale of treasury shares		-	2,153	-	2,153
Repayment from/(to) subsidiaries		-	-	1,554	9,325
NET CASH FROM/(FOR) INVESTING ACTIVITIES		731	(38,892)	30,051	34,980
BALANCE CARRIED FORWARD		415,007	(209,443)	24,709	27,498

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	The Group		The Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
BALANCE BROUGHT FORWARD		415,007	(209,443)	24,709	27,498
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Dividends paid		(25,453)	(30,311)	(25,453)	(30,311)
Dividends paid to non-controlling interests		(6,680)	(29,680)	-	-
Proceeds from issuance of new shares		-	3,852	-	3,852
Net cash inflow from issuance of shares by subsidiaries to non-controlling interests		88	-	-	-
Shares issued expenses		-	(187)	-	(187)
Advance from/(Repayment to) subsidiaries		-	-	979	(469)
Drawdown of term loans		20,705	235,411	-	-
Repayment of term loans		(349,955)	(71,963)	-	-
Repayment of hire purchase obligations		(1,839)	(1,791)	-	-
Drawdown of short-term borrowings		7,566	22,630	-	-
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(355,568)	127,961	(24,474)	(27,115)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		59,439	(81,482)	235	383
FOREIGN EXCHANGE TRANSLATION DIFFERENCES		-	(1)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		154,674	236,157	1,298	915
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	44(c)	214,113	154,674	1,533	1,298

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:

Registered office : 802, 8th Floor, Block C, Kelana Square,
17, Jalan SS7/26, 47301 Petaling Jaya,
Selangor Darul Ehsan.

Principal place of business : Unipark Suria, Jalan Ikram-Uniten,
43000 Kajang, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 16 April 2018.

2. PRINCIPAL ACTIVITIES

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

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act 2016 in Malaysia.

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

FRSs and IC Interpretations (Including The Consequential Amendments)

Amendments to FRS 107: Disclosure Initiative

Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to FRS Standards 2014 - 2016 Cycles: Amendments to FRS 12 Clarification of the Scope of the Standard

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

- (i) The amendments to FRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between opening and closing balances of these items is provided in Note 44(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3. BASIS OF PREPARATION (CONT'D)

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

FRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
FRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to FRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 4: Applying FRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to FRS 140 - Transfers of Investment Property	1 January 2018
Annual Improvements to FRS Standards 2014 - 2016 Cycles:	1 January 2018
• Amendments to FRS 1: Deletion of Short-term Exemptions for First-time Adopters	
• Amendments to FRS 128: Measuring an Associate or Joint Venture at Fair Value	

As disclosed in Note 3.3 to the financial statements, the Group will be applying Malaysian Financial Reporting Standards ("MFRS") Framework in the next financial year. Therefore, the Group will not be adopting the above FRS, Interpretations and Amendments to FRSs.

- 3.3 On 30 November 2017, MASB issued notice of withdrawal of FRSs for the application on financial statements with annual reporting period beginning on or after 1 January 2018. Therefore, the Group has decided to adopt the MFRS Framework effective 1 January 2018.

In preparing the first MFRS financial statements in accordance with MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards' ("MFRS 1"), adjustments will be made to the financial statements of the Group for the current financial year to ensure the comparative financial information in the first MFRS financial statements is comparable. Accordingly, the financial performance and financial position of the Group as presented in these financial statements could be different if prepared in accordance with MFRS. The adjustments required on transition are expected to be made retrospectively other than those exempted under MFRS 1.

The Group is currently assessing the impact of adopting MFRS 1, including identification of the differences in the existing accounting policies as compared to the MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the potential impact of the application of MFRS 1 cannot be determined and estimated reliably until the assessment is completed later. The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1.1 Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment is based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 7 to the financial statements.

(b) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 12 to the financial statements.

(c) Impairment of Trade Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its trade receivables and analyses their ageing profiles, historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables. The carrying amount of trade receivables as at the reporting date is disclosed in Note 15 to the financial statements.

(d) Construction Contracts

Significant judgement is required in determining the stage of completion of a construction contract, the extent of the construction costs incurred, the estimation of the variation works and total budgeted construction costs, as well as the recoverability of the construction project. In making the judgement, management evaluates based on experience and by relying the works of specialists. The gross amount due from contract customers for contract works as at the reporting date is disclosed in Note 14 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

4.1.1 Key Sources of Estimation Uncertainty (Cont'd)

(e) Property Development

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

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. The carrying amount of assets and liabilities of the Group arising from property development activities are disclosed in Note 13 to the financial statements.

(f) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made. The carrying amount of current tax assets and current tax liabilities as at the reporting date is approximately RM14,345,000 and RM5,874,000 (2016 - RM18,146,000 and RM7,467,000), respectively.

4.1.2 Critical Judgement Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:

(a) Classification between Investment Properties and Owner occupied Properties

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

4.1.2 Critical Judgement Made in Applying Accounting Policies (Cont'd)

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below (cont'd):

(b) Classification of Leasehold Land

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

(c) Contingent Liabilities

The recognition and measurement for contingent liabilities is based on management's view of the expected outcome on contingencies after consulting legal counsel for litigation cases and experts, for matters in the ordinary course of business. Furthermore, the directors are of the view that the chances of the financial institutions to call upon the corporate guarantees issued by the Group and the Company are remote.

(d) Fair Value Estimates for Certain Financial Assets and Liabilities

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

4.2 BASIS OF CONSOLIDATION

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

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

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

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

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

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

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly venture.

Business combinations from 1 January 2011 onwards

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

Business combinations before 1 January 2011

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

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

4.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Business combinations from 1 January 2011 onwards

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

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

Business combinations before 1 January 2011

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

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

Interests in Associates

In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

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

The consolidated financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional and presentation currency and has been rounded to the nearest thousand unless otherwise stated.

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss except for differences arising from the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

(c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

(c) Foreign Operations (Cont'd)

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

4.5 FINANCIAL INSTRUMENTS

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

Financial instruments are classified as financial assets, financial liabilities or equity in accordance with the substance of the contractual arrangement and their definitions in FRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets

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

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

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

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

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(ii) Held-to-maturity Investments

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

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(iii) Loans and Receivables Financial Assets

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

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

(iv) Available-for-sale Financial Assets

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

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

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

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

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

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

(ii) Other Financial Liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

(i) Ordinary Shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

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

(ii) Treasury Shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are reissued by resale, the difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity.

Where treasury shares are cancelled, their costs are transferred to retained profits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(d) Derivative Financial Instruments

Derivatives financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the reporting period, other than those accounted for under hedge accounting, are recognised directly in profit or loss.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is categorised as at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the host contract.

(e) Derecognition

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

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

(f) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to financial institutions for credit facilities granted to subsidiaries as insurance contracts as defined in FRS 4 Insurance Contracts. The Group recognises these corporate guarantees as liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

4.6 INVESTMENTS IN SUBSIDIARIES

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 INVESTMENTS IN ASSOCIATES

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

The investment in an associate is accounted for in the consolidated statement of financial position using the equity method, based on the financial statements of the associate made up to the end of the reporting period. The Group's share of the post-acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

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

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

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with FRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued.

4.8 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bridging the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses. Freehold land is stated at cost less any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

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

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the construction or acquisition of the assets to the date that the assets are completed and put into use.

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

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

4.9 INVESTMENT PROPERTIES

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on the straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties are 50 years. Investment property under construction is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 INVESTMENT PROPERTIES (CONT'D)

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

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

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

4.10 PROPERTY DEVELOPMENT COSTS

(a) Land Held For Property Development

Land held for property development consist of land costs where no development activities are carried out or where development activities are not expected to be completed within the normal operating cycle. Land held for property development is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Pre-acquisition costs are charged to profit or loss as incurred unless such costs are directly identifiable to the consequent property development activity.

Land held for property development is classified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(b) Property Development Costs

Property development costs are those assets on which significant works have been undertaken and are expected to be completed within the normal operating cycle.

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities as well as borrowing costs relating to the financing of the development activities.

Property development costs that are not recognised as an expense are recognised as an asset and carried at the lower of cost and net realisable value.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 PROPERTY DEVELOPMENT COSTS (CONT'D)

(b) Property Development Costs (Cont'd)

When the financial outcome of a development activity cannot be reliably estimated, the property development revenue is recognised only to the extent of property development costs incurred that will be recoverable. The property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Where it is probable that property development costs will exceed property development revenue, any expected loss is recognised as an expense in profit or loss immediately, including costs to be incurred over the defects liability period.

4.11 IMPAIRMENT

(a) Impairment of Financial Assets

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

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

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

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

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 IMPAIRMENT (CONT'D)

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

4.12 LEASED ASSETS

(a) Finance Assets

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 LEASED ASSETS (CONT'D)

(b) Operating Lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position of the Group and of the Company.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

4.13 INVENTORIES

Developed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by the specific identification method and comprises the land and related development expenditure incurred in bringing the inventories to their present location and condition.

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

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

4.14 AMOUNTS OWING BY/TO CONTRACT CUSTOMERS

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

4.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

4.16 PROVISIONS

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.17 PROGRESS BILLINGS/ACCRUED BILLINGS

In respect of progress billings:

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

4.18 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss and included in the development costs, where appropriate, in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

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

4.19 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing costs incurred on that borrowings less any investment income on temporary investment of that borrowings will be capitalised.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.20 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from 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 assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

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

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 OPERATING SEGMENTS

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

4.22 CONTINGENT LIABILITIES

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

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

4.23 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

4.24 FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.25 REVENUE AND OTHER INCOME

Revenue is measured at the fair value of the consideration received or receivable, net of returns, goods and services tax, cash and trade discounts.

(a) Sale of Goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer and where the Group does not have continuing managerial involvement and effective control over the goods sold.

(b) Services

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

(c) Education and Training Fees

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

(d) Construction Contracts

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

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

(e) Property Development

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.25 REVENUE AND OTHER INCOME (CONT'D)

(f) Dividend Income

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

(g) Interest Income

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

(h) Management Fee

Management fee is recognised when services are rendered.

(i) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

5. INVESTMENT IN SUBSIDIARIES

	The Company	
	2017 RM'000	2016 RM'000
At cost:		
Unquoted shares in Malaysia:		
- ordinary shares	144,679	144,679
- Redeemable Convertible Preference Shares ("RCPS")	17,500	17,500
	162,179	162,179
Unquoted shares outside Malaysia:		
- ordinary shares	327	327
	162,506	162,506

During the financial year:

(a) HCM Engineering Sdn. Bhd. ("HCME"), a wholly-owned subsidiary of the Company:

- (i) Incorporated HCM Kijang Sdn. Bhd. ("HCMK"), through the subscription of 60,000 ordinary shares at a total consideration of RM60,000, representing 60% equity interest in HCMK; and
- (ii) Incorporated a wholly-owned subsidiary in Sri Lanka, known as H C M Builders Lanka (Private) Limited, through the subscription of 10,000 ordinary shares at a total consideration of approximately RM2,700.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

During the financial year (Cont'd):

- (b) The Group carried out an internal restructuring exercise, whereby Kumpulan Ikram Sdn. Bhd. ("KISB"), a wholly-owned subsidiary of the Company, has transferred the shareholding of its wholly-owned subsidiary, Ikram Greentech Sdn. Bhd. ("IGSB") to the Company for a cash consideration of RM1. The transfer of ordinary shares in IGSB has no effect on the financial results of the Group.
- (c) KPS-HCM Sdn. Bhd. ("KPS-HCM"), an indirect 70% owned subsidiary of the Company, has increased its issued share capital from 4,000,000 to 5,715,000 ordinary shares by way of allotment of 1,715,000 ordinary shares to the non-controlling interests. Consequently, the Group's equity interest in KPS-HCM was diluted from 70% to 49% and became an associate to the Group. The details and effects of the dilution of equity interest in this subsidiary are disclosed in Note 43 to the financial statements.
- (d) HCM-TH Technologies Sdn. Bhd. ("HCMTH"), an indirect wholly-owned subsidiary of the Company, had applied to be struck off from the Registrar of Companies in Malaysia. The process of striking off HCMTH is still ongoing as at the date of the financial statements.
- (e) Ikram Education Sdn. Bhd., an indirect wholly-owned subsidiary of the Company, acquired 2 ordinary shares of Ikram Infra Venture Sdn. Bhd. ("IIVSB"), representing the entire issued and paid-up share capital in IIVSB for a total cash consideration of RM2.
- (f) IGSB, a wholly-owned subsidiary of the Company, acquired 51,000 ordinary shares of I2 Energy Sdn. Bhd. ("I2ESB") (*formerly known as Ikram Infra Bina Sdn. Bhd.*), representing 51% of the issued and paid-up shares capital in I2ESB for a total cash consideration of RM51,000.

The acquisition of the subsidiaries during the financial year has no significant effect on the financial results of the Group for the current financial year and the financial position of the Group as at the end of the current reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of Subsidiary	Country of Incorporation	Effective Equity Interest		Principal Activities
		2017 %	2016 %	
HCM Engineering Sdn. Bhd.	Malaysia	100	100	Buildings, bridges and road construction, rehabilitation and maintenance.
Kumpulan Ikram Sdn. Bhd.	Malaysia	100	100	Engineering and geotechnical related activities and services.
Protasco Trading Sdn. Bhd.	Malaysia	100	100	Trading of construction materials, products and equipment, petroleum based products and highway safety products and equipment.
Protasco Infra Sdn. Bhd.	Malaysia	100	100	Investment holding.
Protasco Development Sdn. Bhd.	Malaysia	100	100	Property development.
Protasco Venture Partners Inc.Δ	British Virgin Islands	100	100	Investment holding.
Ikram Greentech Sdn. Bhd.*	Malaysia	100	-	Investment holding.

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

Name of Subsidiary	Country of Incorporation	Effective Equity Interest		Principal Activities
		2017 %	2016 %	
KPS-HCM Sdn. Bhd.*	Malaysia	-	70	Buildings, bridges and road construction.
Permint Granite-HCM Sdn. Bhd.	Malaysia	70	70	Road maintenance and rehabilitation.
HCM Kijang Sdn. Bhd.	Malaysia	60	-	Road maintenance and rehabilitation.
Roadcare (M) Sdn. Bhd.*	Malaysia	51	51	Road maintenance and rehabilitation.
Empayar Indera Sdn. Bhd.	Malaysia	51	51	Road maintenance and rehabilitation.
HCM (L) Bhd.^	FT Labuan	100	100	Renting out machines.
HCM-Ikhtisas Sdn. Bhd.*	Malaysia	78	78	Investment holding.
HCM Arabia Sdn. Bhd.*	Malaysia	78	78	Trading of construction premix products.
HCM-Molek JV Sdn. Bhd.*	Malaysia	60	60	Road construction and rehabilitation.
HCM Kasturi Sdn. Bhd.*	Malaysia	100	100	Dormant.
HCM Engineering-Isyoda JV Sdn. Bhd.*	Malaysia	100	100	Dormant.
Konsortium HCM Perkasa Sdn. Bhd.*	Malaysia	100	100	Dormant.
Makmur Bersih Sdn. Bhd.*	Malaysia	100	100	Dormant.
Infra Water Sdn. Bhd.*	Malaysia	100	100	Dormant.
HCM-TH Technologies Sdn. Bhd.*	Malaysia	70	70	Dormant.
Teras Pancar Sdn. Bhd.*	Malaysia	100	100	Dormant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of subsidiaries held through HCM Engineering Sdn. Bhd. are as follows (Cont'd):

Name of Subsidiary	Country of Incorporation	Effective Equity Interest		Principal Activities
		2017 %	2016 %	
H C M Builders Lanka (Private) Limited* [@]	Sri Lanka	100	-	Dormant.

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

Name of Subsidiary	Country of Incorporation	Effective Equity Interest		Principal Activities
		2017 %	2016 %	
Global Traders Ltd.* [@]	FT Labuan	100	100	Dormant.

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

Name of Subsidiary	Country of Incorporation	Effective Equity Interest		Principal Activities
		2017 %	2016 %	
Ikram Engineering Services Sdn. Bhd.	Malaysia	100	100	Site investigation and soil testing services.
Kumpulan Ikram (Sabah) Sdn. Bhd.*	Malaysia	60	60	Site investigation and soil testing services.
Kumpulan Ikram (Sarawak) Sdn. Bhd.*	Malaysia	60	60	Site investigation and soil testing services.
Ikram Education Sdn. Bhd.	Malaysia	100	100	Providing tertiary education.
Ikram Latihan Sdn. Bhd.*	Malaysia	100	100	Providing training courses.
Ikram QA Services Sdn. Bhd.	Malaysia	100	100	Certification and listing of products.
Ikram Paves Sdn. Bhd.	Malaysia	100	100	Provision of evaluation and testing services for road pavement.
Ikram Greentech Sdn. Bhd.*	Malaysia	-	100	Dormant.
Ikram International Sdn. Bhd.*	Malaysia	100	100	Dormant.
Ikram Libyana Sdn. Bhd.*	Malaysia	60	60	Dormant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of Subsidiary	Country of Incorporation	Effective Equity Interest		Principal Activities
		2017 %	2016 %	
Ikram Skills Academy Sdn. Bhd.	Malaysia	100	100	Provision of skills training courses.

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

Name of Subsidiary	Country of Incorporation	Effective Equity Interest		Principal Activities
		2017 %	2016 %	
Ikram Infra Ventures Sdn. Bhd.*	Malaysia	100	-	Dormant.

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

Name of Subsidiary	Country of Incorporation	Effective Equity Interest		Principal Activities
		2017 %	2016 %	
I2 Energy Sdn. Bhd. (formerly known as Ikram Infra Bina Sdn. Bhd.)*	Malaysia	51	-	Engineering services.

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

Name of Subsidiary	Country of Incorporation	Effective Equity Interest		Principal Activities
		2017 %	2016 %	
QP Industries Sdn. Bhd.*	Malaysia	100	100	Dealing in materials for road pavement and road maintenance.
QP Trading Sdn. Bhd.*	Malaysia	100	100	Dealing in materials for road pavement.
Ximax Communications Sdn. Bhd.*	Malaysia	100	100	Investment holding.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of Subsidiary	Country of Incorporation	Effective Equity Interest		Principal Activities
		2017 %	2016 %	
Protasco Land Sdn. Bhd.	Malaysia	100	100	Property development.
De Centrum Development Sdn. Bhd.	Malaysia	100	100	Property development.
Sun Rock Development Sdn. Bhd.*	Malaysia	100	100	Property development.
De Centrum Land Sdn. Bhd.	Malaysia	100	100	Property development.
De Centrum Retail Sdn. Bhd.*	Malaysia	100	100	Retail business.
Jalur Saujana Sdn. Bhd.*	Malaysia	60	60	Property development.

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

Name of Subsidiary	Country of Incorporation	Effective Equity Interest		Principal Activities
		2017 %	2016 %	
Protasco Land SA (Pty) Ltd.*	South Africa	100	100	Dormant.

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

Name of Subsidiary	Country of Incorporation	Effective Equity Interest		Principal Activities
		2017 %	2016 %	
Ikram Masterbuilder Sdn. Bhd.	Malaysia	100	100	Building construction.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of subsidiaries held through Protasco Venture Partners Inc. are as follows:

Name of Subsidiary	Country of Incorporation	Effective Equity Interest		Principal Activities
		2017 %	2016 %	
Protasco Agro Ltd.Δ	British Virgin Islands	100	100	Dormant.
PT. Protasco Infra Indonesia ("PPII")Δβ	Indonesia	67	67	Dormant.

Notes:

^ The subsidiary was audited by a member firm of Crowe Horwath International of which Crowe Horwath is a member.

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

Δ The subsidiary is not required to be audited under the laws of the country of incorporation.

@ These subsidiaries are currently dormant and the audited financial statements and the auditors' reports on the financial statements are not available. The financial results of the subsidiaries are not material to the Group.

β A company incorporated in Indonesia with a registered capital of USD1 million. The Group agreed to contribute 67% of the registered share capital while the remaining 33% equity interest will be contributed by a local business partner. Both parties have yet to inject their respective agreed capital contribution into PPII at the end of the reporting period.

The details of non-controlling interests ("NCI") at the end of the reporting period are as follows:

	The Group			
	Effective Equity Interest		Total NCI	
	2017 %	2016 %	2017 RM'000	2016 RM'000
Roadcare (M) Sdn. Bhd. ("Roadcare")	49	49	24,813	12,881
Permint Granite-HCM Sdn. Bhd. ("PG-HCM")	30	30	3,563	4,208
KPS-HCM Sdn. Bhd. ("KPS-HCM")	-	30	-	2,231
Empayar Indera Sdn. Bhd. ("EISB")	49	49	8,620	6,415
HCM-Molek JV Sdn. Bhd. ("HCM-Molek")	40	40	(2,732)	(2,852)
HCM Arabia Sdn. Bhd. ("HCMA")	22	22	(12,293)	(12,435)
Kumpulan Ikram (Sabah) Sdn. Bhd. ("KI-Sabah")	40	40	2,785	2,961
Kumpulan Ikram (Sarawak) Sdn. Bhd. ("KI-Sarawak")	40	40	1,606	1,850
Other individually immaterial subsidiaries			(532)	(524)
			25,830	14,735

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

	Roadcare RM'000	PG- HCM RM'000	EISB RM'000	HCM - Molek RM'000	HCMA RM'000	KI-Sabah RM'000	KI- Sarawak RM'000
<u>At 31 December 2017</u>							
Non-current assets	16,278	693	3,192	-	-	1,519	2,129
Current assets	196,704	13,056	40,276	3,635	4,476	7,189	3,634
Non-current liabilities	(1,457)	(245)	(105)	-	-	(39)	(886)
Current liabilities	(160,887)	(1,625)	(25,771)	(10,466)	(60,354)	(1,708)	(863)
Net assets/(liabilities)	50,638	11,879	17,592	(6,831)	(55,878)	6,961	4,014
<u>Financial year ended 31 December 2017</u>							
Revenue	406,118	12,126	102,960	50	959	6,289	1,303
Profit/(Loss) for the financial year	24,351	851	13,500	299	(398)	60	(311)
Total comprehensive income/(expenses)	24,351	851	13,500	299	645	60	(311)
Total comprehensive income/(expenses) attributable to NCI	11,932	255	6,615	120	142	24	(124)
Dividends paid to non-controlling interests	-	900	4,410	-	-	200	120
Net cash flows from/(for) operating activities	66,940	2,071	19,434	(8)	2,155	799	(27)
Net cash flows from/(for) investing activities	41,305	484	(1,235)	-	-	(162)	(395)
Net cash flows (for)/from financing activities	-	(2,989)	(9,025)	-	-	(625)	328
Net increase/(decrease) in cash and cash equivalents	108,245	(434)	9,174	(8)	2,155	12	(94)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

	Roadcare RM'000	PG- HCM RM'000	KPS- HCM RM'000	EISB RM'000	HCM- Molek RM'000	HCMA RM'000	KI-Sabah RM'000	KI- Sarawak RM'000
<u>At 31 December 2016</u>								
Non-current assets	12,219	1,017	394	2,756	2	-	1,667	1,974
Current assets	138,053	14,042	7,843	30,028	3,606	6,091	7,474	4,513
Non-current liabilities	(1,519)	(245)	(62)	(105)	-	-	(159)	(287)
Current liabilities	(122,466)	(787)	(739)	(19,587)	(10,737)	(62,613)	(1,581)	(1,574)
Net assets/(liabilities)	26,287	14,027	7,436	13,092	(7,129)	(56,522)	7,401	4,626
<u>Financial year ended 31 December 2016</u>								
Revenue	361,394	26,331	-	64,593	-	214	5,881	2,521
Profit/(Loss) for the financial year	10,418	3,660	(3,309)	8,498	3,010	(22)	(29)	108
Total comprehensive income/(expenses)	10,418	3,660	(3,309)	8,498	3,010	(239)	(29)	108
Total comprehensive income/(expenses) attributable to NCI	5,105	1,098	(993)	4,164	1,204	(53)	(11)	43
Dividends paid to NCI	24,500	1,800	-	2,940	-	-	200	240
Net cash flows from/(for) operating activities	(24,871)	(1,885)	(1,788)	4,938	(132)	(199)	318	1,447
Net cash flows (for)/from investing activities	18,730	850	296	(1,030)	4	-	(266)	(1,201)
Net cash flows for financing activities	(50,000)	(6,172)	1,045	(6,000)	-	-	(591)	(406)
Net (decrease)/increase in cash and cash equivalents	(56,141)	(7,207)	(447)	(2,092)	(128)	(199)	(539)	(160)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6. INVESTMENT IN ASSOCIATES

	The Group	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost		
At 1 January	653	425
Addition during the financial year	-	20
Transfer from subsidiaries at fair value	2,314	208
At 31 December	2,967	653
Share of post acquisition results	2,443	1,371
Foreign exchange translation reserve	(438)	(438)
	4,972	1,586
Redeemable preference shares	1,400	1,400
	6,372	2,986
Accumulated impairment losses	(2,679)	(2,679)
	3,693	307

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

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2017 %	2016 %	
THT-HCM JV Sdn. Bhd.	Malaysia	40	40	Dormant.
HCM-KI Engineering Sdn. Bhd.	Malaysia	40	40	Dormant.
KPS-HCM Sdn. Bhd.	Malaysia	49	-	Buildings, bridges and road construction.

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

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2017 %	2016 %	
Ikram Premier Consulting Sdn. Bhd.	Malaysia	30	30	Provision of consultancy services.
Ikram Engineering Consulting Sdn. Bhd.	Malaysia	30	30	Provision of consultancy services.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6. INVESTMENT IN ASSOCIATES (CONT'D)

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

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2017 %	2016 %	
Libyan Malaysian Company for Roads and Construction*	Libya	49	49	Construction and maintenance.

Note:

* The management accounts of Libyan Malaysian Company for Roads and Construction for the financial year ended 31 December 2017 have been used for the purpose of applying the equity method of accounting. As no results have been generated by the associated company during the financial year, there was no share of profit or loss recognised for the financial year.

The Group has impaired its investment in Libyan Malaysian Company for Roads and Construction in prior years due to a civil war in Libya.

(a) The summarised unaudited financial information for the associate that is material to the Group is as follows:

	KPS-HCM Sdn. Bhd.	
	2017 RM'000	2016 RM'000
<u>At 31 December</u>		
Non-current assets	702	N/A
Current assets	40,594	N/A
Current liabilities	(34,409)	N/A
Net assets	6,887	N/A
<u>6-month Period Ended 31 December</u>		
Revenue	33,968	N/A
Profit for the financial period	2,163	N/A
Total comprehensive income	2,163	N/A
Group's share of profit for the financial period	1,060	N/A
Reconciliation of Net Assets to Carrying Amount		
Group's share of net assets above	3,375	N/A
Carrying amount of the Group's interest in this associate	3,375	N/A

Remark:

N/A - Not applicable

(b) The summarised unaudited financial information for all associates (except for Libyan Malaysian Company for Roads and Construction) that are individually immaterial to the Group is as follows:

	Individually Immaterial Associates	
	2017 RM'000	2016 RM'000
<u>Financial year ended 31 December</u>		
Group's share of profit/(loss) for the financial year	12	(229)
Aggregate carrying amount of the Group's interests in these associates	318	307

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

7. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Renovation RM'000	Reference Book, Office Equipment, Furniture and Fittings RM'000	Laboratory Equipment, Plant and Machinery RM'000	Motor Vehicles RM'000	Capital Work-in- Progress RM'000	Total RM'000
The Group									
At cost									
At 1 January 2017	63,193	4,804	99,001	22,441	58,255	123,972	49,544	1,147	422,357
Additions	-	-	193	1,254	3,515	4,326	3,753	325	13,366
Disposals	-	-	-	-	(635)	(41,071)	(3,773)	-	(45,479)
Reclassification	-	-	1,304	171	(3)	2	(2)	(1,472)	-
Written off	-	-	-	-	(5)	-	(226)	-	(231)
Disposal of a subsidiary (Note 43)	-	-	-	(315)	(704)	(216)	(1,439)	-	(2,674)
At 31 December 2017	63,193	4,804	100,498	23,551	60,423	87,013	47,857	-	387,339
Accumulated depreciation									
At 1 January 2017	-	1,083	14,479	16,241	48,577	105,574	30,760	-	216,714
Depreciation charges	-	92	2,103	1,488	2,792	4,298	4,579	-	15,352
Disposals	-	-	-	-	(588)	(37,787)	(3,137)	-	(41,512)
Written off	-	-	-	-	(5)	-	(112)	-	(117)
Disposal of a subsidiary (Note 43)	-	-	-	(309)	(618)	(125)	(1,400)	-	(2,452)
At 31 December 2017	-	1,175	16,582	17,420	50,158	71,960	30,690	-	187,985
Carrying amount at									
31 December 2017	63,193	3,629	83,916	6,131	10,265	15,053	17,167	-	199,354

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

The Group	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Renovation RM'000	Reference Book, Office Equipment, Furniture and Fittings RM'000	Laboratory Equipment, Plant and Machinery RM'000	Motor Vehicles RM'000	Capital Work-in-Progress RM'000	Total RM'000
At cost									
At 1 January 2016	63,193	4,804	56,814	22,043	56,959	138,156	47,830	34,550	424,349
Additions	-	-	7,637	1,356	2,851	3,535	5,005	1,147	21,531
Disposals	-	-	-	(83)	(272)	(17,032)	(3,003)	-	(20,390)
Reclassification	-	-	34,550	-	-	-	-	(34,550)	-
Written off	-	-	-	(875)	(801)	(331)	(198)	-	(2,205)
Disposal of subsidiaries (Note 43)	-	-	-	-	(482)	(356)	(90)	-	(928)
At 31 December 2016	63,193	4,804	99,001	22,441	58,255	123,972	49,544	1,147	422,357
Accumulated depreciation									
At 1 January 2016	-	991	12,977	15,787	46,783	113,032	29,195	-	218,765
Depreciation charges	-	92	1,502	1,319	3,058	4,799	4,701	-	15,471
Disposals	-	-	-	(70)	(175)	(11,702)	(2,918)	-	(14,865)
Written off	-	-	-	(795)	(607)	(211)	(128)	-	(1,741)
Disposal of subsidiaries (Note 43)	-	-	-	-	(482)	(344)	(90)	-	(916)
At 31 December 2016	-	1,083	14,479	16,241	48,577	105,574	30,760	-	216,714
Carrying amount at									
31 December 2016	63,193	3,721	84,522	6,200	9,678	18,398	18,784	1,147	205,643

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

	Office Equipment, Furniture and Fittings	
	2017 RM'000	2016 RM'000
The Company		
At cost		
At 1 January	137	121
Additions	16	16
At 31 December	153	137
Accumulated depreciation		
At 1 January	(52)	(29)
Depreciation charge	(26)	(23)
At 31 December	(78)	(52)
Carrying amount	75	85

- (a) The carrying amounts of the property, plant and equipment at the end of the reporting period acquired under hire purchase arrangements are as follows:

	The Group	
	2017 RM'000	2016 RM'000
Laboratory equipment, plant and machinery	3,029	3,644
Motor vehicles	3,400	4,225
	6,429	7,869

The leased assets have been pledged as security for the related finance lease liability of the Group.

- (b) The carrying amounts of the property, plant and equipment of the Group at the end of the reporting period pledged as security with the financial institutions for credit facilities granted to the Group as disclosed in Note 31 and Note 34 to the financial statements were as follows:

	The Group	
	2017 RM'000	2016 RM'000
Freehold land	62,782	62,782
Buildings	70,146	69,882
	132,928	132,664

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(c) The capital work-in-progress represents the construction of the following buildings:

	The Group	
	2017 RM'000	2016 RM'000
A detached light industrial shop	-	1,147

In the previous financial year, included in the construction costs incurred during the financial year of the capital work-in-progress was as follows:

	The Group	
	2017 RM'000	2016 RM'000
Interest expense capitalised during the construction period	-	1,350

8. INVESTMENT PROPERTIES

The Group	Mall RM'000	Condominium RM'000	Total RM'000
At cost			
At 1 January 2017	39,385	56,671	96,056
Cost saving*	(612)	(10,461)	(11,073)
At 31 December 2017	38,773	46,210	84,983
Accumulated depreciation			
At 1 January 2017	(863)	(294)	(1,157)
Depreciation charges	(776)	(925)	(1,701)
At 31 December 2017	(1,639)	(1,219)	(2,858)
Carrying amount at 31 December 2017	37,134	44,991	82,125
At fair value:			
2017	44,000	55,088	

Note:

* Cost saving relate to adjustment to the final construction costs of the mall and condominium.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. INVESTMENT PROPERTIES (CONT'D)

The Group	Mall RM'000	Condominium RM'000	Leasehold Land RM'000	Construction- in-progress RM'000	Total RM'000
At cost					
At 1 January 2016	42,645	-	29,654	28,971	101,270
Additions	-	-	-	27,700	27,700
Cost Saving*	(3,260)	-	-	-	(3,260)
Transfer to land held for property development (Note 9)	-	-	(29,654)	-	(29,654)
Reclassification	-	56,671	-	(56,671)	-
At 31 December 2016	39,385	56,671	-	-	96,056
Accumulated depreciation					
At 1 January 2016	-	-	-	-	-
Depreciation charges	(863)	(294)	-	-	(1,157)
At 31 December 2016	(863)	(294)	-	-	(1,157)
Carrying amount at 31 December 2016	38,522	56,377	-	-	94,899
At fair value:					
2016	59,063	78,044			

Note:

* Cost saving relate to adjustment to the final construction costs of the mall and condominium.

The fair values of the investment properties are within level 2 of the fair value hierarchy.

The fair values of the investment properties as at 31 December 2017 are arrived at by reference to market evidence of transaction prices for similar properties and are performed by registered valuers having appropriate recognised professional qualification and recent experience in the locations and category of properties being valued.

The fair values of investment properties in the previous financial year, were estimated by the directors by reference to market evidence of transaction prices for similar properties.

The most significant input into these valuation approach is the price per square foot of comparable properties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. INVESTMENT PROPERTIES (CONT'D)

In the previous financial year, included in the development costs incurred on the investment property under construction was the following:

	The Group	
	2017 RM'000	2016 RM'000
Interest expense	-	606

9. LAND HELD FOR PROPERTY DEVELOPMENT

	The Group	
	2017 RM'000	2016 RM'000
At cost:		
At 1 January	29,654	-
Transfer to property development cost (Note 13)	(12,265)	-
Transfer from investment properties (Note 8)	-	29,654
At 31 December	17,389	29,654
Comprise:		
Long-term leasehold land	17,389	29,654

The long-term leasehold land comprises four (2016 - five) parcels of commercial land which were pledged to a financial institution as security for credit facilities granted to the Group as disclosed in Note 31 to the financial statements.

10. LONG-TERM INVESTMENTS

	The Group	
	2017 RM'000	2016 RM'000
At cost:		
Unquoted shares	30	30
Golf club memberships	145	195
At 31 December	175	225

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

11. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group	
	2017 RM'000	2016 RM'000
At 1 January	(8,630)	(8,462)
Recognised in profit or loss (Note 39)	(290)	(189)
Disposal of subsidiaries (Note 43)	61	18
Translation differences	-	3
At 31 December	(8,859)	(8,630)
Presented as follows:		
Deferred tax assets	1	15
Deferred tax liabilities	(8,860)	(8,645)
	(8,859)	(8,630)

The deferred tax assets/(liabilities) recognised at the end of the reporting period and before appropriate offsetting are as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets:				
Unutilised tax losses	88	192	-	-
Unabsorbed capital allowances	24	25	13	11
Allowance for impairment losses	113	118	-	-
Others	237	251	-	-
	462	586	13	11
Deferred tax liability:				
Accelerated capital allowances	(9,321)	(9,216)	(13)	(11)
At 31 December	(8,859)	(8,630)	-	-

The deferred tax assets on unutilised tax losses and unabsorbed capital allowances have been recognised on the basis of the Group's previous history of recording profits and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. These unutilised tax losses and capital allowances can be carried forward to subsequent financial years until fully utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

11. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

No deferred tax assets have been recognised in respect of the following items (stated at gross):

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Allowance for impairment losses	2,363	1,528	-	-
Provisions	221	398	221	398
Unutilised tax losses	52,785	45,130	19,843	16,339
Unabsorbed capital allowances	1,308	896	89	63
	56,677	47,952	20,153	16,800

At the end of the reporting period, the unutilised tax losses and unabsorbed capital allowances are available for offset against future taxable profits of the subsidiaries and the Company in which the losses and allowances arose. No deferred tax assets are recognised in respect of these items as it is not probable that taxable profits of the subsidiaries and the Company will be available against which the deductible temporary differences can be utilised. The unutilised tax losses and unabsorbed capital allowances do not expire under current tax legislation. However, the availability of unutilised tax losses for offsetting against future taxable profits of the subsidiaries and the Company in Malaysia are subject to the Income Tax Act 1967 and guidelines issued by the tax authority.

12. INVENTORIES

	The Group	
	2017 RM'000	2016 RM'000
At cost:		
Stores and spares	1,965	1,735
Developed properties held for sale	19,118	24,368
	21,083	26,103
Recognised in profit or loss:		
Inventories recognised as cost of sales	172,664	161,142

None of the inventories is carried at net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

13. PROPERTY DEVELOPMENT COSTS

	The Group	
	2017 RM'000	2016 RM'000
At 1 January:		
Freehold land	1,500	1,996
Development costs	1,847	39,895
	3,347	41,891
Incurred during the financial year:		
Freehold land	-	1,500
Leasehold land	12,265	-
Development costs	1,969	44,701
	14,234	46,201
Reversal of development costs of completed projects during the financial year:		
Freehold land	-	(1,648)
Development costs	-	(61,304)
	-	(62,952)
Unsold units transferred to inventories:		
Freehold land	-	(348)
Development costs	-	(21,445)
	-	(21,793)
Accumulated costs recognised in profit or loss:		
At 1 January	-	(25,762)
Recognised during the financial year	-	(37,190)
Reversal of costs arising from completed projects	-	62,952
At 31 December	-	-
Property development costs as at 31 December	17,581	3,347
Represented by:		
Freehold land	1,500	1,500
Leasehold land	12,265	-
Development costs	3,816	1,847
Cumulative costs recognised in profit or loss	-	-
	17,581	3,347

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

13. PROPERTY DEVELOPMENT COSTS (CONT'D)

In the previous financial year, included in property development costs incurred during the financial year were as follows:

	The Group	
	2017 RM'000	2016 RM'000
Interest expense	-	845

The freehold land and leasehold land included in the property development costs of the Group are pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 31 and Note 34 to the financial statements.

14. AMOUNT OWING BY CONTRACT CUSTOMERS

	2017 RM'000	2016 RM'000
Contract costs incurred to date	129,013	614,833
Attributable profits	5,235	41,510
	134,248	656,343
Progress billings	(96,440)	(145,625)
	37,808	510,718
Contract costs recognised as expenses	85,823	290,478

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

15. TRADE RECEIVABLES

	The Group	
	2017 RM'000	2016 RM'000
Trade receivables	268,759	238,808
Retention sums	37,237	29,962
	305,996	268,770
Allowance for impairment losses	(23,195)	(22,561)
	282,801	246,209
Accrued income	174	9,369
Accrued billings	105,656	11,713
	388,631	267,291
Allowance for impairment losses:		
At 1 January	(22,561)	(21,604)
Addition during the financial year	(1,443)	(4,607)
Writeback during the financial year	476	2,607
Write-off during the financial year	333	1,043
At 31 December	(23,195)	(22,561)

The Group's normal trade credit terms range from 21 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The retention sums are unsecured, interest-free and due to be received within 6 to 12 months or within normal operating cycle (2016 - 6 to 12 months or within normal operating cycle).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other receivables	114,248	103,759	84,714	84,702
Deposits	22,997	23,231	14	15
Prepayments	1,230	1,531	12	170
	138,475	128,521	84,740	84,887
Allowance for impairment losses	(107,979)	(107,979)	(84,643)	(84,643)
	30,496	20,542	97	244
Allowance for impairment losses:				
At 1 January	(107,979)	(106,118)	(84,643)	(84,643)
Addition during the financial year	-	(2,625)	-	-
Writeback for the financial year	-	764	-	-
At 31 December	(107,979)	(107,979)	(84,643)	(84,643)

Included in the other receivables and deposits of the Group and of the Company was an amount of RM84,643,170 (2016 - RM84,643,170) paid for the proposed acquisition of 78,750,000 ordinary shares of IDR1,000 each, representing 63% equity interest in PT Anglo Slavic Indonesia. The amount has been fully impaired in the financial year ended 31 December 2014. Notwithstanding that, the Group has initiated legal proceedings to recover the amount as disclosed in Note 50(a) to the financial statements.

Included in the deposits of the Group was an amount of RM18,904,000 (2016 - RM18,904,000) paid as coal trades deposits. The amount has been fully impaired in the financial year ended 31 December 2014. Notwithstanding that, the Group has initiated legal proceedings to recover the amount as disclosed in Note 50(b) to the financial statements.

17. AMOUNTS OWING BY/TO SUBSIDIARIES

The amounts owing are non-trade in nature, unsecured, and bore effective interest rates ranging from 3.49% - 4.38% per annum (2016 - Nil) and repayable on demand. The amounts owing are to be settled in cash.

18. AMOUNT OWING BY ASSOCIATES

The amount owing is trade in nature and subject to normal trade credit terms ranging from 30 to 90 (2016 - 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis. The amount owing is unsecured and to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

19. SHORT-TERM INVESTMENTS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At fair value:				
Money market fund	18,867	72,883	151	147
Market value of money market fund	18,867	72,883	151	147

Short-term investments are classified as financial assets at fair value through profit or loss, measured at fair value.

20. DEPOSITS WITH LICENSED BANKS

Deposits with licensed banks of the Group amounting to RM4,083,500 (2016 - RM5,215,347) are pledged to banks for bank guarantees and credit facilities granted to the subsidiaries.

The effective interest rates of the deposits with licensed banks at the end of the reporting period were as follows:

	The Group		The Company	
	2017 %	2016 %	2017 %	2016 %
Effective interest rates	2.78 to 3.35	2.00 to 3.45	3.35	3.25

The maturity periods of the deposits with licensed banks at the end of the reporting period were as follows:

	The Group		The Company	
	2017	2016	2017	2016
Maturity periods (days)	1 to 150	1 to 365	150	61 to 365

21. CASH AND BANK BALANCES

Included in cash and bank balances of the Group are as follows:

- (i) a sum of RM1,564,812 (2016 - RM29,870,117) held under a Housing Development Account pursuant to Section 7A of the Housing Development (Control & Licensing) Act 1996.
- (ii) a Debt Service Account amounting to RM1,000,000 (2016 - RM1,000,000) pledged to a licensed bank for bank overdraft facilities granted to a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

22. SHARE CAPITAL

	The Group/The Company			
	2017	2016	2017	2016
	Number of Shares		RM'000	RM'000
	'000	'000		
Authorised				
Ordinary shares of RM0.50 each	N/A	600,000	N/A	300,000

N/A - Not applicable pursuant to Companies Act 2016 which came into operation on 31 January 2017 as disclosed in item (ii) below.

Issued and fully paid-up

Ordinary shares with no Par Value (2016 - Par Value of RM0.50 Each)

At 1 January	424,693	337,379	212,346	168,690
Issue of shares pursuant to:				
- Employees' Shares Scheme Options exercised	-	2,470	-	1,234
- Bonus issue	-	84,844	-	42,422
	-	87,314	-	43,656
At 31 December	424,693	424,693	212,346	212,346

Of the total 424,692,914 (2016 - 424,692,914) issued and fully paid-up ordinary shares at the end of the reporting period, ordinary shares amounted to 483,500 (2016 - 481,500) were held as treasury shares by the Company. At the end of the reporting period, the number of outstanding ordinary shares in issue and fully paid-up, net of treasury shares, amounted to 424,209,414 (2016 - 424,211,414).

- (i) The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.
- (ii) On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23. TREASURY SHARES

	The Group/The Company	
	2017 RM'000	2016 RM'000
At 1 January	760	2,360
Share buy-back during the financial year	2	500
Treasury shares sold	-	(2,100)
At 31 December	762	760

The amount relates to the acquisition cost of treasury shares.

At the annual general meeting held on 25 May 2017, the shareholders of the Company approved the Company's plan to repurchase its own shares. The directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

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

Date	Price per Share	Number of Shares	Total Costs RM'000
At 1 January 2017		481,500	760
May 2017	0.99	1,000	1
December 2017	1.05	1,000	1
At 31 December 2017		483,500	762

The total shares purchased under the share buy-back programme were financed by internally generated funds. The shares purchased were retained as treasury shares in accordance with Section 127(6) of the Companies Act 2016 and are presented as a deduction from shareholders' equity. None (2016 - 1,325,000) of the treasury shares were resold during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

24. SHARE PREMIUM

	The Group/The Company	
	2017 RM'000	2016 RM'000
At 1 January	37,508	76,536
Arising from/(Utilised for) the issuance of new ordinary shares during the financial year pursuant to:		
- Employees' Shares Scheme Options	-	2,618
- Bonus issue	-	(42,422)
	-	(39,804)
Share issuance costs	-	(187)
Transfer from employee share option reserve upon exercise of share options	-	963
At 31 December	37,508	37,508

The Company has adopted the transitional provisions set out in Section 618(3) of the Companies Act 2016 ("Act") where the sum standing to the credit of the share premium may be utilised within twenty four (24) months from the commencement date of 31 January 2017 in the manner as allowed for under the Act. Therefore, the Group and the Company have not consolidated the share premium into share capital until the expiry of the transitional period.

25. EMPLOYEE SHARE OPTION RESERVE

	The Group/The Company	
	2017 RM'000	2016 RM'000
At 1 January	-	1,293
Share options forfeited during the financial year	-	(330)
Transfer to share premium upon exercise of share options	-	(963)
At 31 December	-	-

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

25. EMPLOYEE SHARE OPTION RESERVE (CONT'D)

The main features of the ESS were as follows:

- (a) Eligible persons are confirmed employees and/or directors of the Group, save for companies which are dormant.
- (b) The maximum number of new shares of the Company, which may be available under the scheme, shall not exceed in aggregate 15%, or any such amount or percentage as may be permitted by the relevant authorities of the issued and paid-up share capital of the Company at any one time during the existence of the ESS.
- (c) The option price shall be determined by the ESS Committee based on the 5-day weighted average market price of shares of the Company immediately preceding the offer date of the option, with a discount of not more than 10%, or at the par value of shares of the Company, whichever is higher.
- (d) The option may be exercised by the grantee by notice in writing to the Company in the prescribed form during the option period in respect of all or any part of the new shares of the Company comprised in the ESS.
- (e) The ESS shall be in force for a period of five (5) years commencing from 4 October 2013. The Board of Directors shall have the discretion upon recommendation of the ESS Committee to extend the ESS for another five (5) years or such shorter period as is deemed fit immediately from the expiry of the first five (5) years.

26. FOREIGN EXCHANGE TRANSLATION RESERVE

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

27. CAPITAL RESERVE

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

The reserve is not distributable as cash dividends.

The Group has adopted the transitional provisions set out in Section 618(3) of the Companies Act 2016 ("Act") where the sum standing to the credit of the capital reserve may be utilised within twenty four (24) months from the commencement date of 31 January 2017 in the manner as allowed for under the Act. Therefore, the Group has not consolidated the capital reserve into share capital until the expiry of the transitional period.

28. RETAINED PROFITS

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29. LONG-TERM BORROWINGS

	The Group	
	2017 RM'000	2016 RM'000
Secured:		
Hire purchase payable (Note 30)	2,557	3,466
Term loans (Note 31)	92,810	88,806
Bridging loan	-	2,817
	95,367	95,089

The long-term borrowings are obtained in accordance with the following terms:

	The Group	
	2017 RM'000	2016 RM'000
Conventional:		
Hire purchase payables	2,339	3,146
Term loans	68,335	88,806
Bridging loan	-	2,817
	70,674	94,769
Islamic:		
Hire purchase payables	218	320
Term loans	24,475	-
	95,367	95,089

In the previous financial year, the bridging loan was secured by a corporate guarantee of the Company and in the same manner as the Term Loan 5 disclosed in Note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. HIRE PURCHASE PAYABLES

	The Group	
	2017 RM'000	2016 RM'000
Minimum hire purchase payments:		
- not later than one year	1,301	1,996
- later than one year but not later than five years	3,250	3,946
	4,551	5,942
Less: future finance charges	(421)	(756)
Present value of hire purchase payables	4,130	5,186
Current (Note 34):		
- not later than one year	1,573	1,720
Non-current (Note 29):		
- later than one year but not later than five years	2,557	3,466
	4,130	5,186

The hire purchase payables of the Group are secured by certain property, plant and equipment under hire purchase arrangements as disclosed in Note 7(a) to the financial statements. The hire purchase arrangements will be expiring in 1 to 5 (2016 - 1 to 5) years.

31. TERM LOANS

	The Group	
	2017 RM'000	2016 RM'000
Current (Note 34):		
- not later than one year	9,108	342,362
Non-current (Note 29):		
- later than one year but not later than two years	12,051	13,173
- later than two years but not later than five years	49,559	38,971
- later than five years	31,200	36,662
	92,810	88,806
	101,918	431,168

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. TERM LOANS (CONT'D)

Details of the repayment terms are as follows:

Term Loan	Number of Monthly Instalment	Monthly Instalments	Date of Commencement of Repayment	The Group	
				Amount Outstanding	
				2017 RM'000	2016 RM'000
1	240	8,205	February 2011	1,002	1,049
2	240	3,809	March 2012	471	492
3	24	645,834	May 2018	15,500	15,500
4	*	*	December 2017	-	328,429
5	**	**	February 2018	-	5,857
6	144	#	June 2017	43,934	43,365
7	***	***	October 2016	30,475	36,476
8^	****	****	September 2020	9,815	-
9	240	4,892	June 2017	721	-
				101,918	431,168

Notes:

* The term loan was repayable as follows, whichever was earlier:

- (a) upon receipt of sale proceeds and proceeds from facilitation funds with regard to a construction project; and/or
- (b) through a final bullet payment of the balance of loan or up to the facility's limit of RM400 million on the 42nd month of loan drawdown.

** The term loan was repayable as follows, whichever was earlier:

- (a) through a final bullet payment on 14 February 2018; or
- (b) upon receipt of sale proceeds from a certain project.

*** The term loan is repayable on quarterly basis with 28 quarter instalments of RM1,500,000 per quarter.

**** The term loan is repayable as follows, whichever is earlier:

- (a) upon receipt of sale proceeds and proceeds from facilitation funds with regard to a construction project; and/or
- (b) through a final bullet payment of the balance of loan or up to the facility's limit of RM216 million on the 36th month of loan drawdown.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. TERM LOANS (CONT'D)

Notes (Cont'd):

The repayment of the term loan will be commencing on the 25th month from the date of first drawdown. The monthly repayment schedule is as follows:

			RM'000
(i)	1 st	- 24 th month	-
(ii)	25 th	- 48 th month	250
(iii)	49 th	- 60 th month	400
(iv)	61 st	- 108 th month	500
(v)	109 th	- 143 rd month	700
(vi)	144 th		12,700

^ The Group has not fully drawn down this term loan during the financial year.

Term Loans 1 to 9 are secured by a corporate guarantee of the Company. In addition, the respective term loans are secured as follows:

Term Loans 1, 2 and 9 are secured by legal charges over certain freehold land and buildings of the Group as disclosed in Note 7 to the financial statements.

Term Loan 3 is secured by a first party legal charge over the long-term leasehold land of the Group as disclosed in Note 9 to the financial statements.

Term Loans 4, 5 and 8 are secured by an assignment by a subsidiary of the Company on the facilitation fund and proceeds receivable from a project awarded by the Government of Malaysia.

Term Loan 6 is secured by:

- (a) a third party legal charge over the freehold land which is included in the property development costs of a subsidiary as disclosed in Note 13 to the financial statements;
- (b) a third party legal charge over certain freehold land and building of a subsidiary;
- (c) a fixed and floating charge over all present and future asset of a certain project of a subsidiary;
- (d) a legal charge and an assignment over the Project Account of the property development project of a subsidiary; and
- (e) a legal charge and an assignment over the residual value in the Housing Development Account upon completion of a certain project of a subsidiary.

Term Loan 7 is secured by:

- (a) a Facility Agreement stamped to the amount of facilities advance; and
- (b) a third party charge ranking pari passu with all existing charges over the property held under a subsidiary.

Term Loan 8 is secured by a charge over the Debt Service Reserve Account maintained by a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

32. TRADE PAYABLES

	The Group	
	2017 RM'000	2016 RM'000
Trade payables	233,747	69,676
Accrued costs	79,597	223,515
Retention sums	40,603	47,966
	353,947	341,157
Deferred income	8,353	9,291
	362,300	350,448

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

The retention sums are unsecured, interest-free and due to be paid within 6 to 12 months or within normal operating cycle (2016 - 6 to 12 months or within normal operating cycle).

Included in deferred income is an amount of RM8,353,146 (2016 - RM9,291,059) represent course fees received in advance from students and will be recognised as revenue over the period of the courses.

33. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other payables and accruals	32,332	38,886	398	721
Amount owing to a subsidiary's shareholders	-	6,125	-	-
	32,332	45,011	398	721

Included in other payables and accruals of the Group is an advance payment received from the Government of Malaysia amounting to RM8,700,000 (2016 - RM8,700,000). The amount owing is interest-free, repayable on demand and secured by a corporate guarantee as disclosed in Note 45 to the financial statements. The amount owing is to be settled in cash.

In the previous financial year, the amount owing to a subsidiary's shareholders was unsecured, interest-free and repayable on demand. The amount owing was settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. SHORT-TERM BORROWINGS

	The Group	
	2017 RM'000	2016 RM'000
Secured:		
Revolving credit	60,257	35,757
Bridging loan	-	9,067
Hire purchase payables (Note 30)	1,573	1,720
Term loans (Note 31)	9,108	342,362
Total secured borrowings	70,938	388,906
Unsecured:		
Bills payable	27,930	21,792
Revolving credit	-	11,188
Total unsecured borrowings	27,930	32,980
Total short-term borrowings	98,868	421,886

The short-term borrowings are obtained in accordance with the following terms:

	The Group	
	2017 RM'000	2016 RM'000
Conventional:		
Revolving credits	42,757	38,757
Bridging loan	-	9,067
Bills payable	10,484	11,125
Hire purchase payables	1,349	1,319
Term loans	3,108	242,362
	57,698	302,630
Islamic:		
Revolving credits	17,500	8,188
Bills payable	17,446	10,667
Hire purchase payables	224	401
Term loans	6,000	100,000
	41,170	119,256
Total short-term borrowings	98,868	421,886

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. SHORT-TERM BORROWINGS (CONT'D)

The secured revolving credit is secured by:

- (a) a corporate guarantee of the Company;
- (b) fixed and floating charges on certain property, plant and equipment as disclosed in Note 7 to the financial statements; and
- (c) a pledge of certain deposits placed with licensed banks as disclosed in Note 20 to the financial statements.

In the previous financial year, the bridging loan was secured by:

- (a) a first legal charge over the freehold land which is included in the property development costs of a subsidiary as disclosed in Note 13 to the financial statements;
- (b) a fixed and floating charge over all present and future assets of the property development project of a subsidiary;
- (c) deed of assignment over the Project Account of the property development project of a subsidiary; and
- (d) a corporate guarantee of the Company.

35. BANK OVERDRAFTS

Included in the bank overdrafts is RM10,757,000 (2016 - RM18,466,000) which is secured by a Debt Service Account maintained by a subsidiary as disclosed in Note 21 to the financial statements and in the same manner as the bridging loan disclosed in Note 34 to the financial statements. The remaining bank overdrafts of RM5,644,000 (2016 - RM21,228,000) is secured in the same manner as Term Loan 4 disclosed in Note 34 to the financial statements. The bank overdrafts facilities are obtained in accordance to conventional terms.

36. REVENUE

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Gross dividends from subsidiaries	-	-	28,500	39,000
Management fees from subsidiaries	-	-	5,000	5,000
Maintenance	558,947	489,024	-	-
Construction	87,870	305,291	-	-
Property development	4,138	60,632	-	-
Trading and manufacturing	134,506	138,674	-	-
Education	55,868	57,941	-	-
Engineering services	90,488	56,419	-	-
Others	7,460	2,226	18	-
	939,277	1,110,207	33,518	44,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

37. PROFIT BEFORE TAXATION

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Audit fee:				
- for the financial year	567	537	67	65
- underprovision in the previous financial year	53	19	2	-
Bad debts written off	-	135	-	-
Depreciation of property, plant and equipment	15,352	15,471	26	23
Depreciation of investment properties	1,701	1,157	-	-
Property, plant and equipment written off	114	464	-	-
Direct operating expenses on investment properties	1,000	1,208	-	-
Directors' remuneration (Note 38)	7,147	9,317	2,856	4,562
Impairment losses on:				
- trade and other receivables	1,443	7,232	-	-
Interest expense:				
- bank overdrafts	3,185	2,025	230	115
- bills payable	769	834	-	-
- bridging loans	334	660	-	-
- hire purchase	276	218	-	-
- revolving credit	1,852	1,417	-	-
- term loans	14,774	19,580	-	-
- unwinding of discounts on trade payables	649	-	-	-
- others	39	36	30	-
Rental of:				
- land	381	128	-	-
- office premises	2,881	2,692	24	26
- plant and machinery	1,490	525	-	-
- motor vehicles	559	678	-	-
- office equipment	1,074	1,078	2	-
- others	34	109	6	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

37. PROFIT BEFORE TAXATION (CONT'D)

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Staff costs:				
- salaries, wages, bonuses and allowances	81,623	87,686	3,154	3,383
- defined contribution plan	9,420	10,015	468	405
- other benefits	6,050	6,054	612	545
Gain on disposal of property, plant and equipment	(240)	(1,511)	-	-
Net gain on disposal of subsidiaries	(208)	(1,756)	-	-
Income from short-term investments	(301)	(1,218)	(13)	(16)
Interest income:				
- financial institution	(1,371)	(1,494)	(2)	(2)
- others	(7)	(204)	-	-
Net foreign exchange (gain)/loss:				
- unrealised	(14)	-	-	-
- realised	(15)	6	-	-
Rental income:				
- property, plant and equipment	(100)	(37)	-	-
- others	(29)	(12)	-	-
Waiver of debts	-	(152)	-	-
Writeback of impairment losses on:				
- trade and other receivables	(476)	(3,371)	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

38. DIRECTORS' REMUNERATION

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors of the Company				
Executive directors' remuneration:				
- Fees	-	-	-	-
- Other emoluments	3,008	4,722	2,374	4,142
	3,008	4,722	2,374	4,142
Non-executive directors' remuneration:				
- Fees	576	449	420	373
- Other emoluments	68	83	62	47
	644	532	482	420
Directors of the Subsidiaries				
Executive directors' remuneration:				
- Fees	140	279	-	-
- Other emoluments	3,355	3,784	-	-
	3,495	4,063	-	-
Total directors' emoluments	7,147	9,317	2,856	4,562
Estimated money value of benefits-in-kind	73	58	35	35
	7,220	9,375	2,891	4,597

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

38. DIRECTORS' REMUNERATION (CONT'D)

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Presented as follows:				
Executive:				
Short-term employee benefits	5,858	7,895	2,119	3,698
Defined contribution plan	645	890	255	444
Estimated money value of benefits-in-kind	73	58	35	35
	6,576	8,843	2,409	4,177
Non-Executive:				
Short-term employee benefits	639	527	482	415
Defined contribution plan	5	5	-	5
	7,220	9,375	2,891	4,597

39. INCOME TAX EXPENSE

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current tax expenses:				
- for the financial year	24,048	25,750	-	24
- overprovision in the previous financial year	(434)	(882)	(24)	(42)
	23,614	24,868	(24)	(18)
Deferred tax expenses (Note 11):				
- relating to origination and reversal of temporary differences	(511)	639	-	-
- under/(over)provision in the previous financial year	801	(450)	-	-
	290	189	-	-
	23,904	25,057	(24)	(18)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016 - 24%) of the estimated assessable profit for the financial year. The taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39. INCOME TAX EXPENSE (CONT'D)

For years of assessment 2017 and 2018, the Malaysian statutory tax rate will be reduced by 1% to 4%, based on the prescribed incremental percentage of chargeable income from business, compared to that of the immediate preceding year of assessment. The Group has accounted for the reduction in the tax rate in the current financial year, based on the percentage of increase in chargeable income of the Company and its subsidiaries.

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before taxation	70,327	77,540	23,226	32,152
Tax at the statutory rate of 24% (2016 - 24%)	16,878	18,610	5,574	7,717
Tax effects of:				
Non-deductible expenses	6,603	10,779	461	610
Non-taxable income	(1,675)	(4,609)	(6,840)	(9,360)
Utilisation of deferred tax assets previously not recognised	(436)	(1,089)	-	-
Deferred tax assets not recognised during the financial year	2,539	2,698	805	1,057
Effect of reduction in Malaysian statutory tax rate	(372)	-	-	-
(Over)/Underprovision in the previous financial year:				
- current tax	(434)	(882)	(24)	(42)
- deferred tax	801	(450)	-	-
Income tax expense for the financial year	23,904	25,057	(24)	(18)

Income tax savings during the financial year arising from:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Utilisation of current financial year's tax losses	15	240	15	240
Utilisation of tax losses previously not recognised as deferred tax assets	1,818	4,454	-	-
Utilisation of unabsorbed capital allowances previously not recognised as deferred tax	121	84	-	-
	1,954	4,778	15	240

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

40. EARNINGS PER SHARE

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

	The Group	
	2017	2016
Net profit for the financial year (RM'000)	28,063	42,387
Weighted average number of ordinary shares in issue ('000)	424,211	422,347
Basic earnings per share (sen)	6.62	10.04
Weighted average number of ordinary shares for basic earnings per share	424,211	422,347
Shares deemed to be issued for no consideration:		
- employee share options in issue	-	22
Weighted average number of ordinary shares for diluted earnings per share computation	424,211	422,369
Diluted earnings per ordinary share (sen)	6.62	10.04

The Company has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

41. DIVIDENDS

	The Company	
	2017 RM'000	2016 RM'000
In respect of the financial year ended 31 December 2017:		
- first dividend of 3 sen per ordinary share	12,726	-
In respect of the financial year ended 31 December 2016:		
- first interim dividend of 3 sen per ordinary share	-	12,726
- second dividend of 3 sen per ordinary share	12,727	-
In respect of the financial year ended 31 December 2015:		
- final dividend of 5 sen per ordinary share	-	16,874
	25,453	29,600

The Directors also declared a second dividend of 2.5 sen per ordinary share amounting to approximately RM12,372,775 in respect of the financial year ended 31 December 2017 computed based on the enlarged issued and paid-up share capital of approximately 494,910,983 ordinary shares, adjusted for the proposed bonus issue of shares as disclosed in Note 52 to the financial statements. The financial statements for the current financial year do not reflect this dividend and will be accounted for as a liability in the financial year ending 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

42. ACQUISITION OF NON-CONTROLLING INTERESTS

In the previous financial year, the Group acquired additional ordinary shares not already owned by the Group in the following subsidiary:

Name of Subsidiary	Equity Interest Acquired		Purchase Consideration	
	2017 %	2016 %	2017 RM'000	2016 RM'000
Sun Rock Development Sdn. Bhd.	-	36	-	^

The details on the effects of the acquisition of additional equity interests in an existing subsidiary were as follows:

	The Group	
	2017 RM'000	2016 RM'000
Net liabilities acquired from NCI	-	(1,004)
Premium paid on acquisition of NCI	-	1,004
Purchase consideration	-	^
Less: Non-cash consideration	-	-
Net cash outflow from acquisition of additional equity interest in subsidiaries	-	^

Note:

^ - RM1

43. DISPOSAL OF SUBSIDIARIES

During the current financial year, the Group undertook the following transactions:

- (a) deemed disposal of KPS-HCM Sdn. Bhd.

In the previous financial year, the Group undertook the following transactions:

- (a) disposal of Hainan Protasco Engineering Co. Ltd; and
- (b) deemed disposal of Ikram Engineering Consulting Sdn. Bhd. (formerly known as Ikram Infrastructure Asset Management Sdn. Bhd.)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

43. DISPOSAL OF SUBSIDIARIES (CONT'D)

The financial effects of the disposals at the date of disposal are summarised below:

	2017 RM'000	2016 RM'000
Plant and equipment	222	12
Other investment	50	-
Trade and other receivables	119	950
Current tax assets	550	18
Short-term investments	2,000	-
Deposits with licensed banks	-	87
Cash and bank balances	315	238
Trade payables and other payables	(186)	(2,382)
Deferred tax liability	(61)	(18)
Foreign exchange translation reserve	-	(91)
Non-controlling interests	(903)	(296)
Carrying amount of net assets disposed of	2,106	(1,482)
Less: Fair value transfer to investment in associates	(2,314)	(208)
Less: Gain on deemed disposal/disposal of subsidiaries (Note 37)	208	1,756
Consideration received, satisfied in cash	-	66
Less: Cash and bank balances of subsidiaries disposed of	(2,315)	(324)
Net cash outflow from the disposal of subsidiaries	(2,315)	(258)

44. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment is as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cost of property, plant and equipment purchased	13,366	21,531	16	16
Amount financed through hire purchased	(783)	(2,591)	-	-
Amount financed through term loan	-	(7,637)	-	-
Cash disbursed for purchase of property, plant and equipment	12,583	11,303	16	16

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

44. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliation of liabilities arising from financing activities are as follows:

	Term Loans RM'000	Hire Purchase RM'000	Other Short-term Borrowings RM'000	Dividend Payable RM'000	Total RM'000
The Group					
2017					
At 1 January	431,168	5,186	80,621	12,726	529,701
<u>Changes in Financing</u>					
<u>Cash Flows:</u>					
Proceeds from drawdown	20,705	-	7,566	-	28,271
Repayment of borrowings:					
- principal	(349,955)	(1,839)	-	-	(351,794)
- interests	(14,774)	(276)	(2,955)	-	(18,005)
Dividend paid	-	-	-	(25,453)	(25,453)
	(344,024)	(2,115)	4,611	(25,453)	(366,981)
<u>Non-cash Changes</u>					
New hire purchase	-	783	-	-	783
Dividend declared	-	-	-	25,453	25,453
Finance charges recognised in profit or loss	14,774	276	2,955	-	18,005
	14,774	1,059	2,955	25,453	44,241
At 31 December	101,918	4,130	88,187	12,726	206,961

	Amount owing to subsidiaries RM'000
The Company	
2017	
At 1 January	3,000
<u>Changes in Financing Cash Flows</u>	
Advances from subsidiaries	979
At 31 December	3,979

Comparative information is not presented by virtue of the exemption given in FRS 107.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

44. CASH FLOW INFORMATION (CONT'D)

(c) The cash and cash equivalents comprise the following:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short-term investments	18,867	72,883	151	147
Deposits with licensed banks	106,606	35,307	1,000	1,000
Cash and bank balances	111,534	102,423	1,527	1,151
Bank overdrafts	(16,401)	(39,694)	(145)	-
	220,606	170,919	2,533	2,298
Less: Deposits pledged to licensed banks	(4,084)	(5,215)	(1,000)	(1,000)
Cash and bank balances pledged to a licensed bank	(1,000)	(1,000)	-	-
Short-term investments with maturity periods more than three months	(1,409)	(10,030)	-	-
	214,113	154,674	1,533	1,298

45. CONTINGENT LIABILITIES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unsecured:				
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	-	-	267,389	610,387
Corporate guarantees given to suppliers for credit facilities granted to a subsidiary	-	-	22,650	22,650
Guarantee given by a subsidiary to the Government of Malaysia for the repayment of advance payment received	8,700	8,700	-	-
Guarantee given by a subsidiary to the Government of Malaysia for services rendered	5,477	5,164	-	-
Guarantee given by subsidiaries to the third parties for services rendered	12,439	14,772	-	-
Guarantee given by a subsidiary to the associate for services rendered	-	270	-	-

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46. CAPITAL COMMITMENTS

	The Group	
	2017 RM'000	2016 RM'000
Purchase of property, plant and equipment	316	193

47. RELATED PARTY DISCLOSURES

47.1 IDENTITIES OF RELATED PARTIES

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, associates, key management personnel and entities within the same group of companies.

47.2 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>Subsidiaries:</u>				
- Gross dividends received/receivable	-	-	(28,500)	(39,000)
- Management fees received/receivable	-	-	(5,000)	(5,000)
- Rental expense paid/payable	-	-	24	26
<u>Related Parties:</u>				
- Service rendered to	(219)	(229)	-	-
- Service rendered by	33	-	-	-
- Rental expense paid/payable	248	248	-	-
<u>Associates:</u>				
- Administrative fees paid/payable	1,958	2,184	-	-
- Interest income received/receivable	(7)	-	-	-
- Management fees received/receivable	(90)	-	-	-
- Rental income received/receivable	(38)	-	-	-
- Service rendered to	(6,043)	(2,336)	-	-
- Service rendered by	2,554	275	-	-

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the financial statements.

The related party transactions described above were entered into in the normal course of business carried out based on negotiated terms and conditions and are mutually agreed with respective parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

47. RELATED PARTY DISCLOSURES (CONT'D)

47.3 KEY MANAGEMENT PERSONNEL COMPENSATION

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short-term employee benefits	6,570	8,480	2,636	4,148
Defined contribution plan	650	895	255	449
	7,220	9,375	2,891	4,597

48. OPERATING SEGMENTS

BUSINESS SEGMENTS

The Group is organised into six major business segments:

Business Segment	Principal activities
Maintenance	The maintenance of federal and state roads.
Construction	The construction of buildings and other infrastructures.
Property development	The development of commercial and residential properties.
Engineering services	The provision of full spectrum of civil engineering work and related services.
Trading and manufacturing	Trading and manufacturing of construction materials.
Education	The provision of tertiary education.

Other business segment mainly represents investment holding activities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

48. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

The key management personnel assess the performance of the reportable segments based on their profit before taxation. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4 to the financial statements.

(a) Segment Revenue and Results

Segment results represent profit before taxation of the segment. Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned. The effects of such inter-segment transactions are eliminated on consolidation.

(b) Segment Assets

Segment assets are measured based on all assets (including goodwill) of the segment, excluding current tax assets and deferred tax assets.

(c) Segment Liabilities

Segment liabilities are measured based on all liabilities, excluding current tax liabilities and deferred tax liabilities.

Income taxes are managed on a group basis and are not allocated to operating segments.

Assets and liabilities which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly tax-related assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

48. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

2017	Maintenance RM'000	Construction RM'000	Property Development RM'000	Engineering Services RM'000	Trading and Manufacturing RM'000	Education RM'000	Others RM'000	Eliminations RM'000	Consolidation RM'000
Revenue									
External sales	558,947	87,870	4,138	90,488	134,506	55,868	7,460	-	939,277
Inter-segment sales	-	91,572	-	6,788	59,810	-	33,500	(191,670)	-
Total revenue	558,947	179,442	4,138	97,276	194,316	55,868	40,960	(191,670)	939,277
Results									
Profit from operations	56,492	11,750	6,630	13,908	4,978	5,166	18,376	(29,904)	87,396
Finance costs	-	(8,613)	(5,205)	(192)	(1,099)	(1,846)	(2,531)	1,345	(18,141)
Share of profit in associates	-	1,068	-	4	-	-	-	-	1,072
Segment results	56,492	4,205	1,425	13,720	3,879	3,320	15,845	(28,559)	70,327
Income tax expense									(23,904)
Profit after taxation									46,423
Non-controlling interests									(18,360)
Net profit attributable to owners of the Company									28,063

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

48. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

2017	Maintenance RM'000	Construction RM'000	Property Development RM'000	Engineering Services RM'000	Trading and Manufacturing RM'000	Education RM'000	Others RM'000	Eliminations RM'000	Consolidation RM'000
Assets									
Segment assets	271,431	281,349	279,006	232,036	154,799	83,317	272,023	(533,697)	1,040,264
Unallocated corporate assets									14,346
Consolidated total assets									1,054,610
Liabilities									
Segment liabilities	180,023	186,477	263,029	163,415	132,500	46,867	18,510	(372,826)	617,995
Unallocated corporate liabilities									14,733
Consolidated total liabilities									632,728
Other Information									
Depreciation and amortisation	4,353	2,027	2,159	4,279	489	3,840	26	(120)	17,053
Impairment losses on trade and other receivables	-	-	-	643	800	-	-	-	1,443
Interest expenses	-	12,497	5,203	192	1,100	1,831	2,482	(1,427)	21,878
Gain on disposal of property, plant and equipment	(155)	(3)	-	(71)	-	(11)	-	-	(240)
Interest and investment income	(439)	(291)	(1,068)	(447)	(9)	(247)	(15)	837	(1,679)
Writeback of impairment losses on trade and other receivables	-	-	-	(386)	(8)	(82)	-	-	(476)
Capital expenditure	8,504	432	1,874	1,391	361	785	19	-	13,366

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

48. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

2016	Maintenance RM'000	Construction RM'000	Property Development RM'000	Engineering Services RM'000	Trading and Manufacturing RM'000	Education RM'000	Others RM'000	Eliminations RM'000	Consolidation RM'000
Revenue									
External sales	489,024	305,291	60,632	56,419	138,674	57,941	2,226	-	1,110,207
Inter-segment sales	-	241,980	-	20,226	33,055	-	44,027	(339,288)	-
Total revenue	489,024	547,271	60,632	76,645	171,729	57,941	46,253	(339,288)	1,110,207
Results									
Profit from operations	36,776	31,832	11,272	2,996	4,079	2,865	34,279	(39,054)	85,045
Finance costs	(18)	(116)	(3,749)	(292)	(995)	(489)	(1,617)	-	(7,276)
Share of loss in associates	-	(1)	-	(228)	-	-	-	-	(229)
Segment results	36,758	31,715	7,523	2,476	3,084	2,376	32,662	(39,054)	77,540
Income tax expense									(25,057)
Profit after taxation									52,483
Non-controlling interests									(10,096)
Net profit attributable to owners of the Company									42,387
Assets									
Segment assets	196,072	1,116,348	229,091	205,659	93,917	90,759	273,362	(834,985)	1,370,223
Unallocated corporate assets									18,161
Consolidated total assets									1,388,384

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

48. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

2016	Maintenance RM'000	Construction RM'000	Property Development RM'000	Engineering Services RM'000	Trading and Manufacturing RM'000	Education RM'000	Others RM'000	Eliminations RM'000	Consolidation RM'000
Liabilities									
Segment liabilities	115,511	558,250	677,217	138,255	74,463	57,825	17,268	(673,935)	964,854
Unallocated corporate liabilities									16,112
Consolidated total liabilities									980,966
Other Information									
Bad debts written off	-	2	-	133	-	-	-	-	135
Depreciation and amortisation	4,389	2,833	1,283	4,080	435	3,584	24	-	16,628
Impairment losses on trade and other receivables	-	3	-	4,672	1,381	-	1,313	(137)	7,232
Interest expenses	6	20,436	3,620	1,641	992	489	115	(2,529)	24,770
(Gain)/Loss on disposal of property, plant and equipment	(124)	(1,385)	6	(8)	-	-	-	-	(1,511)
Interest and investment income	(1,291)	(2,680)	(759)	(165)	(209)	(255)	(18)	2,461	(2,916)
Writeback of impairment losses on trade and other receivables	-	-	-	(3,275)	(6)	(90)	-	-	(3,371)
Capital expenditure	5,202	1,131	211	4,881	266	9,824	16	-	21,531

The Group operates predominantly in Malaysia. Accordingly, the information by geographical segment is not presented.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

48. OPERATING SEGMENTS (CONT'D)

MAJOR CUSTOMER

The following are major customers with revenue equal to or more than 10% of Group revenue:

Customer Name	Revenue		Segment
	2017 RM'000	2016 RM'000	
Customer A	554,887	490,990	Maintenance
Customer B	54,021	252,126	Construction

49. FINANCIAL INSTRUMENTS

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

49.1 FINANCIAL RISK MANAGEMENT POLICIES

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

(a) Market Risk

(i) Foreign Currency Risk

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

49. FINANCIAL INSTRUMENTS (CONT'D)

49.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of financial instruments at the end of the reporting period is summarised below:

Foreign currency exposure

The Group	Libyan Dinar RM'000	Euro RM'000	South African Rand RM'000	United States Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
2017						
Financial Assets						
Long-term investments	-	-	-	-	175	175
Trade receivables and accrued income	2,246	-	-	-	280,729	282,975
Other receivables and deposits	-	-	-	143	29,123	29,266
Amount owing by associates	-	-	-	-	4,886	4,886
Short-term investments	-	-	-	-	18,867	18,867
Deposits with licensed banks	-	-	-	-	106,606	106,606
Cash and bank balances	2,217	1	2,433	-	106,883	111,534
	4,463	1	2,433	143	547,269	554,309
Financial Liabilities						
Trade payables	225	-	-	-	353,722	353,947
Other payables and accruals	293	13	-	-	32,026	32,332
Dividend payable	-	-	-	-	12,726	12,726
Borrowings	-	-	-	-	194,235	194,235
Bank overdrafts	-	-	-	-	16,401	16,401
	518	13	-	-	609,110	609,641
Net financial assets/(liabilities)	3,945	(12)	2,433	143	(61,841)	(55,332)
Less: Net financial (assets)/liabilities denominated in the respective entities functional currencies	(3,945)	12	(2,433)	(143)	61,841	55,332
Currency exposure	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

49. FINANCIAL INSTRUMENTS (CONT'D)

49.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure (Cont'd)

The Group	Libyan Dinar RM'000	Euro RM'000	South African Rand RM'000	United States Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
2016						
Financial Assets						
Long-term investments	-	-	-	-	225	225
Trade receivables and accrued income	6,016	-	-	-	249,562	255,578
Other receivables and deposits	1	-	-	227	18,783	19,011
Amount owing by associates	-	-	-	-	845	845
Short-term investments	-	-	-	-	72,883	72,883
Deposits with licensed banks	-	-	-	-	35,307	35,307
Cash and bank balances	73	7	2,257	-	100,086	102,423
	6,090	7	2,257	227	477,691	486,272
Financial Liabilities						
Trade payables	1,395	-	-	-	339,762	341,157
Other payables and accruals	149	-	5	-	44,857	45,011
Dividend payable	-	-	-	-	12,726	12,726
Borrowings	-	-	-	-	516,975	516,975
Bank overdrafts	-	-	-	-	39,694	39,694
	1,544	-	5	-	954,014	955,563
Net financial assets/(liabilities)	4,546	7	2,252	227	(476,323)	(469,291)
Less: Net financial (assets)/liabilities denominated in the respective entities functional currencies	(4,546)	(7)	(2,252)	(227)	476,323	469,291
Currency exposure	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

49. FINANCIAL INSTRUMENTS (CONT'D)

49.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency risk sensitivity analysis

Any reasonably possible change in the foreign currency exchange rates at the end of the reporting period against the respective functional currencies of the entities within the Group does not have material impact on the profit or loss after taxation and other comprehensive income of the Group and of the Company and hence, no sensitivity analysis is presented.

(ii) Interest Rate Risk

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

Exposure to interest rate risk

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

	The Group	
	2017 RM'000	2016 RM'000
Fixed Rate Instruments		
Deposits with licensed banks	106,606	35,307
Hire purchase payables	(4,130)	(5,186)
Bills payable	(27,930)	(21,792)
Revolving credit	(60,257)	(46,945)
	14,289	(38,616)
Floating Rate Instruments		
Term loans	(101,918)	(431,168)
Bank overdrafts	(16,401)	(39,694)
Bridging loan	-	(11,884)
	(118,319)	(482,746)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

49. FINANCIAL INSTRUMENTS (CONT'D)

49.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

Exposure to interest rate risk (Cont'd)

	The Company	
	2017 RM'000	2016 RM'000
Fixed Rate Instrument		
Deposits with licensed bank	1,000	1,000

Interest rate risk sensitivity analysis

The interest rate risk sensitivity analysis on the fixed rate instruments is not disclosed as these financial instruments are measured at amortised cost. Therefore, they are not subject to interest rate risk as defined in FRS 7 since neither their carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

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

	The Group	
	2017 Increase/ (Decrease) RM'000	2016 Increase/ (Decrease) RM'000
Effects on Profit/(Loss) after Taxation		
Increase of 100 basis points (bp)	(899)	(3,669)
Decrease of 100 bp	899	3,669
Effects on Equity		
Increase of 100 bp	(899)	(3,669)
Decrease of 100 bp	899	3,669

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

49. FINANCIAL INSTRUMENTS (CONT'D)

49.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

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

The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days which are deemed to have higher credit risks are monitored individually.

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

The Company provides financial guarantee to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

Credit risk concentration profile

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

Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

49. FINANCIAL INSTRUMENTS (CONT'D)

49.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

Ageing analysis

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

The Group	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Value RM'000
2017				
Not past due	115,116	(96)	-	115,020
Past due:				
- less than 6 months	108,687	(6)	-	108,681
- 6 to 12 months	28,918	(542)	-	28,376
- 1 to 2 years	24,494	(1,036)	-	23,458
- more than 2 years	28,781	(21,166)	(349)	7,266
	305,996	(22,846)	(349)	282,801
2016				
Not past due	123,016	-	-	123,016
Past due:				
- less than 6 months	73,600	-	-	73,600
- 6 to 12 months	14,757	(86)	-	14,671
- 1 to 2 years	12,366	(1,096)	(5)	11,265
- more than 2 years	45,031	(20,445)	(929)	23,657
	268,770	(21,627)	(934)	246,209

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

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

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

49. FINANCIAL INSTRUMENTS (CONT'D)

49.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

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

Maturity analysis

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

	Contractual Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	On demand Or Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
The Group						
2017						
<u>Non-derivative financial liabilities</u>						
Trade payables	-	353,947	353,947	353,947	-	-
Other payables and accruals	-	32,332	32,332	32,332	-	-
Dividend payable	-	12,726	12,726	12,726	-	-
Hire purchase payables	2.56 to 6.71	4,130	4,551	1,301	3,250	-
Term loans	4.75 to 6.80	101,918	123,970	16,847	73,637	33,486
Bills payable	3.47 to 5.15	27,930	27,930	27,930	-	-
Revolving credit	3.47 to 5.15	60,257	60,257	60,257	-	-
Bank overdrafts	7.91 to 8.51	16,401	16,401	16,401	-	-
		609,641	632,114	521,741	76,887	33,486
2016						
<u>Non-derivative financial liabilities</u>						
Trade payables	-	341,157	341,157	341,157	-	-
Other payables and accruals	-	45,011	45,011	45,011	-	-
Dividend payable	-	12,726	12,726	12,726	-	-
Hire purchase payables	2.63 to 8.47	5,186	5,942	1,996	3,946	-
Term loans	5.00 to 6.80	431,168	477,542	33,457	404,658	39,427
Bills payable	3.47 to 5.15	21,792	21,792	21,792	-	-
Revolving credit	4.09 to 4.92	46,945	46,945	46,945	-	-
Bridging loan	5.25	11,884	12,467	9,625	2,842	-
Bank overdrafts	7.85 to 8.10	39,694	39,694	39,694	-	-
		955,563	1,003,276	552,403	411,446	39,427

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

49. FINANCIAL INSTRUMENTS (CONT'D)

49.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity analysis (Cont'd)

	Contractual Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	On Demand Or Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
The Company						
2017						
Other payables and accruals	-	398	398	398	-	-
Amount owing to subsidiaries	-	3,979	3,979	3,979	-	-
Dividend payable	-	12,726	12,726	12,726	-	-
Bank overdrafts	8.50	145	145	145	-	-
		17,248	17,248	17,248	-	-
2016						
Other payables and accruals	-	721	721	721	-	-
Amount owing to subsidiaries	-	3,000	3,000	3,000	-	-
Dividend payable	-	12,726	12,726	12,726	-	-
		16,447	16,447	16,447	-	-

49.2 CAPITAL RISK MANAGEMENT

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

49. FINANCIAL INSTRUMENTS (CONT'D)

49.2 CAPITAL RISK MANAGEMENT (CONT'D)

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

	The Group	
	2017 RM'000	2016 RM'000
Hire purchase payables	4,130	5,186
Term loans	101,918	431,168
Bills payable	27,930	21,792
Revolving credit	60,257	46,945
Bridging loan	-	11,884
Bank overdrafts	16,401	39,694
	210,636	556,669
Less: Short-term investments	(18,867)	(72,883)
Deposits with licensed banks	(106,606)	(35,307)
Cash and bank balances	(111,534)	(102,423)
(Excess of cash equivalents)/Net debt	(26,371)	346,056
Total equity	421,882	407,418
Debt-to-equity ratio	Not applicable	0.85

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

49. FINANCIAL INSTRUMENTS (CONT'D)

49.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial Assets				
<u>Available-for-sale financial assets</u>				
Long-term investments, at cost	175	225	-	-
<u>Loans and receivables financial assets</u>				
Trade receivables and accrued income	282,975	255,578	-	-
Other receivables and deposits	29,266	19,011	85	74
Amount owing by subsidiaries	-	-	106,338	107,892
Amount owing by associates	4,886	845	-	-
Deposits with licensed banks	106,606	35,307	1,000	1,000
Cash and bank balances	111,534	102,423	1,527	1,151
	535,267	413,164	108,950	110,117
<u>Fair value through profit or loss</u>				
Short-term investments	18,867	72,883	151	147
Financial Liabilities				
<u>Other financial liabilities</u>				
Trade payables	353,947	341,157	-	-
Other payables and accruals	32,332	45,011	398	721
Amount owing to subsidiaries	-	-	3,979	3,000
Dividend payable	12,726	12,726	12,726	12,726
Hire purchase payables	4,130	5,186	-	-
Term loans	101,918	431,168	-	-
Bills payable	27,930	21,792	-	-
Revolving credit	60,257	46,945	-	-
Bridging loan	-	11,884	-	-
Bank overdrafts	16,401	39,694	145	-
	609,641	955,563	17,248	16,447

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

49. FINANCIAL INSTRUMENTS (CONT'D)

49.4 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The fair value of the Group's investment in unquoted shares and golf club memberships with a total carrying amount of RM175,000 (2016 - RM225,000) is not presented due to the lack of marketability of these investments and the fair value cannot be reliably measured.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value RM'000	Carrying Amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
The Group								
2017								
<u>Financial asset</u>								
Short-term investments	-	18,867	-	-	-	-	18,867	18,867
<u>Financial liabilities</u>								
Hire purchase payables	-	-	-	-	4,282	-	4,282	4,130
Term loans	-	-	-	-	101,918	-	101,918	101,918
2016								
<u>Financial asset</u>								
Short-term investments	-	72,883	-	-	-	-	72,883	72,883
<u>Financial liabilities</u>								
Hire purchase payables	-	-	-	-	5,334	-	5,334	5,186
Term loans	-	-	-	-	431,168	-	431,168	431,168

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

49. FINANCIAL INSTRUMENTS (CONT'D)

49.4 FAIR VALUE INFORMATION (CONT'D)

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value RM'000	Carrying Amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
The Company								
2017								
<u>Financial asset</u>								
Short-term investments	-	151	-	-	-	-	151	151
2016								
<u>Financial asset</u>								
Short-term investments	-	147	-	-	-	-	147	147

(a) Fair Value of Financial Instruments Carried at Fair Value

The fair value of short-term investments is determined based on their observable input, either directly or indirectly.

There were no transfer between level 1 and level 2 during the financial year.

(b) Fair Value of Financial Instruments not Carried at Fair Value

The fair values of hire purchase payables and term loans, which are for disclosure purpose, are determined by discounting the relevant cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:

	The Group	
	2017 %	2016 %
Hire purchase payables	5.03% - 6.71%	4.92% - 7.70%
Term loans	4.75% - 6.80%	5.00% - 6.80%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

50. MATERIAL LITIGATIONS

The following are the material litigations involving the Group and the Company during the financial year:

- (a) High Court of Malaya at Kuala Lumpur ("KL High Court") Suit No: 22NCC-362-09/2014 between Protasco Berhad ("Company") as plaintiff against PT Anglo Slavic Utama ("PT ASU") as the 1st defendant, Tey Por Yee as the 2nd defendant and Ooi Kok Aun as the 3rd defendant

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

PT ASI holds 95% equity interest in PT Firman Andalan Sakti ("PT FAS") which in turn holds 70% equity interest in PT Hase Bumou Aceh ("PT Haseba") ("PT ASI Group"). PT ASU as vendor represented in the Conditional SPA that PT Haseba had a 10 year production management partnership agreement ("PMP Agreement") with PT Pertamina (PERSERO) ("Pertamina") to develop and to produce oil and gas in the Kuala Simpang Timur Field from 14 December 2004.

On 29 January 2014, the Company entered into an Amended and Restated Sale and Purchase Agreement ("Restated SPA") with PT ASU to amend vary and restate, in its entirety, the Conditional SPA. With the execution of the Restated SPA, the Company agreed to acquire 78,750,000 ordinary shares of IDR1,000 each in PT ASI representing 63% equity interest in PT ASI from PT ASU for a total purchase consideration of USD22,000,000 (RM68,393,170) ("Purchase Consideration"). Parties thereto agreed that the Purchase Consideration was to be settled by way of setting off the deposit of USD16,340,563 (equivalent to RM50,000,000 based on the agreed exchange rate of USD1:RM3.05987 as at 28 December 2012) initially paid by the Company to PT ASU pursuant to the Conditional SPA and the balance thereof in cash.

The Restated SPA was subject to, among others, the following conditions subsequent to the completion of the Restated SPA which were to be fulfilled within six months from the date of the Restated SPA ("Conditional Period"):

- (i) Consent of Pertamina for the sale and purchase of the shares pursuant to the Restated SPA;
- (ii) Extension of the PMP Agreement for a further 10 year period; and
- (iii) Issuance of Surat Keterangan Terdaftar Minyak & Gas license by the Ministry of Energy and Mineral Resources' General of Oil and Gas Indonesia to PT Haseba.

Upon execution of the Restated SPA, the Company paid the balance Purchase Consideration amounting to USD5,659,437 (RM18,393,170) to PT ASU. In February 2014, pursuant on the terms of the Restated SPA, the Company made a further advance of USD5,000,000 (RM16,250,000) to PT ASI for working capital purposes ("Advance"). The total amounts paid to PT ASU and PT ASI collectively amounted to USD27,000,000 being the Purchase Consideration and the Advance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

50. MATERIAL LITIGATIONS (CONT'D)

- (a) High Court of Malaya at Kuala Lumpur ("KL High Court") Suit No: 22NCC-362-09/2014 between Protasco Berhad ("Company") as plaintiff against PT Anglo Slavic Utama ("PT ASU") as the 1st defendant, Tey Por Yee as the 2nd defendant and Ooi Kok Aun as the 3rd defendant (Cont'd)

On 5 August 2014, the Company announced that the conditions subsequent pursuant to the completion of Restated SPA had not been fulfilled by PT ASU within the Conditional Period and accordingly, the Restated SPA lapsed on 28 July 2014. The Company terminated the Restated SPA on 4 August 2014 and 14 August 2014.

On 22 September 2014, the Company filed a legal suit against PT ASU and the two former directors, namely the 2nd and the 3rd defendant for, among others, the refund of the Purchase Consideration and Advance.

The total amount claimed against PT ASU and the two former directors ("2nd and 3rd Defendants") are as follows:

Against PT ASU

- (i) A payment of USD22,000,000;
- (ii) Pre-judgement interest on USD22,000,000 pursuant to Section 11 of the Civil Law Act 1956 from the date of the suit until the date of judgement at an interest rate of 5% per annum;
- (iii) Post-judgement interest on USD22,000,000 pursuant to Order 42 Rule 12 of the Rules of Court 2012 from the date of judgement until full and final settlement thereof at an interest rate of 5% per annum; and
- (iv) Damages for the breach of the Restated SPA.

Against the 2nd and 3rd Defendants

- (i) A payment of USD27,000,000 (including the Advance);
- (ii) Pre-judgement interest on USD27,000,000 pursuant to Section 11 of the Civil Law Act 1956 from the date of the suit until the date of judgement at an interest rate of 5% per annum;
- (iii) Post-judgement interest on USD27,000,000 pursuant to Order 42 Rule 12 of the Rules of Court 2012 from the date of judgement until full and final settlement thereof at an interest rate of 5% per annum;
- (iv) Damages for fraud and conspiracy; and
- (v) General damages, aggravated and exemplary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

50. MATERIAL LITIGATIONS (CONT'D)

- (a) High Court of Malaya at Kuala Lumpur ("KL High Court") Suit No: 22NCC-362-09/2014 between Protasco Berhad ("Company") as plaintiff against PT Anglo Slavic Utama ("PT ASU") as the 1st defendant, Tey Por Yee as the 2nd defendant and Ooi Kok Aun as the 3rd defendant (Cont'd)

The status of this suit is as follows:

PT ASU's application to stay this legal proceeding pending arbitration was dismissed by the KL High Court on 11 August 2016. Thereafter, PT ASU filed an appeal to the Court of Appeal Malaysia (Appeal Jurisdiction) at Wilayah Persekutuan Putrajaya ("Court of Appeal") which was allowed on 25 February 2017. Pursuant to the decision of the Court of Appeal, the action against PT ASU is now stayed pending the referral of the matter to arbitration in accordance with the rules of the Kuala Lumpur Regional Centre of Arbitration.

Following the decision of the Court of Appeal on 25 February 2016, the 2nd and 3rd Defendants have filed their stay application pending the disposal of the arbitration between PT ASU and our Company. This application has been granted on 20 December 2016. The Company had then filed an appeal against the said High Court decision to the Court of Appeal. The Court of Appeal had on 29 January 2018, allowed the Company appeal and remitted the case back to the High Court against the 2nd and 3rd Defendants. The Court of Appeal also ordered that the arbitration proceeding between the Company and PT ASU be stayed pending the disposal of the proceedings against the 2nd and 3rd Defendants. The 2nd and 3rd Defendants had on 28 February 2018 respectively filed an application in the Federal Court for leave to appeal to the Federal Court. Both applications are now fixed for case management on 25 April 2018.

The KL High Court has fixed 18 February 2019 to 28 February 2019 and 1 March 2019 for trial. There are however, several other interlocutory applications files by the parties. These interlocutory applications are procedural in nature. None of these interlocutory applications will finally dispose of the suit against the PT ASU nor the 2nd or 3rd Defendants without going for trial during which the allegations will be heard on its merits.

Notwithstanding the above litigation, the purchase consideration paid and advance made amounting to RM68,393,170 and RM16,250,000 respectively have been fully impaired in the previous financial year.

- (b) High Court of Malaya at Shah Alam ("SA High Court") Suit No. 22NCVC-561-11/2014 between Protasco Trading Sdn Bhd ("PTSB") as plaintiff against PT Goldchild Integritas Abadi ("Goldchild") and Ooi Kock Aun ("OKA") as defendants

PTSB, a wholly owned subsidiary of the Company, had entered into an agreement dated 4 February 2013 ("Agreement") to undertake coal trades with Goldchild.

Pursuant to the terms of the Agreement and to facilitate coal purchases, a deposit ("Deposit") of USD5,161,290 (approximately RM16,000,000) was paid by PTSB to Goldchild on 4 February 2013. The Deposit is to be deducted in stages against future coal trades.

On 19 July 2013, PTSB entered into a Coal Stockpile Joint Venture Agreement with Goldchild to provide a sum of not exceeding USD900,000 (approximately RM2,904,000) for the purpose of the joint venture to purchase coal in Indonesia and resell the coal to potential buyers, subject to such terms and conditions as stipulated in the Coal Stockpile Joint Venture Agreement.

On 21 November 2014, PTSB filed a legal suit against Goldchild and one of the former directors of the Company, OKA, when the Company uncovered that OKA has an undisclosed interest in Goldchild.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

50. MATERIAL LITIGATIONS (CONT'D)

- (b) High Court of Malaya at Shah Alam ("SA High Court") Suit No. 22NCVC-561-11/2014 between Protasco Trading Sdn Bhd ("PTSB") as plaintiff against PT Goldchild Integritas Abadi ("Goldchild") and Ooi Kock Aun ("OKA") as defendants (Cont'd)

OKA filed an application to strike out the legal suit against him and the application was dismissed on 19 October 2015. Thereafter, OKA filed an appeal against the SA High Court decision to the Court of Appeal. OKA's appeal has been struck off with liberty to file afresh and with no order as to costs by the Court of Appeal on 17 May 2017.

Goldchild's application to stay this legal proceeding pending arbitration was allowed by the SA High Court on 19 October 2015. Thereafter, PTSB filed an appeal against the SA High Court decision to the Court of Appeal. This appeal was withdrawn by PTSB on 24 August 2016.

Since the legal suit against Goldchild has been stayed pending arbitration, OKA filed an application for stay pending arbitration between PTSB and Goldchild which was allowed on 13 January 2016. PTSB then filed an appeal against the SA High Court decision to the Court of Appeal. This application was dismissed by the Court of Appeal on 24 August 2016. PTSB had on 23 September 2016 filed an application for leave via notice of motion seeking leave to appeal to the Federal Court of Malaysia at Wilayah Persekutuan Putrajaya ("Federal Court"). The Motion has been dismissed by the Federal Court on 11 January 2017.

Pursuant to the decision of the Federal Court, the action against PT Goldchild and OKA in the SA High Court is now stayed pending the arbitration proceedings between PT Goldchild and PTSB in Jakarta, Indonesia in accordance with the rules of Badan Arbitrase Nasional Indonesia ("BANI").

Notwithstanding the above litigation, the coal trade deposits made to Goldchild amounted to RM18,904,000 had been fully impaired in the previous financial year.

51. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) The Companies Act 2016 came into operation on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaced Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that have affected the financial statements of the Group and of the Company upon its initial implementation are:

- (i) Removal of the authorised share capital;
- (ii) Ordinary shares ceased to have par value; and
- (iii) Share premium account transferred to share capital account.

The Companies Act 2016 was applied prospectively and the impacts on implementation are disclosed in the respective notes to financial statements.

- (b) The other significant events during the financial year are those disclosed in Note 5 and Note 50 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

52. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (a) On 9 January 2018, Ikram Greentech Sdn. Bhd. ("IGSB"), a wholly-owned subsidiary of the Company, acquired 11,000 ordinary shares of I2 Solarpark One Sdn. Bhd. ("I2SOSB"), representing 44% of the issued and paid-up share capital in I2SOSB for a total cash consideration of RM11,000. Consequently, I2SOSB became an associate to the Group.
- (b) On 17 January 2018, RHB Investment Bank Berhad ("RHB") announced that the Company is proposing to undertake the following:
 - (i) Proposed bonus issue of up to 70,782,152 new ordinary shares in Protasco ("Protasco Share") ("Bonus Share") on the basis of 1 Bonus Share for every 6 existing Protasco Shares held on the entitlement date to be determined later ("Proposed Bonus Issue of Shares"); and
 - (ii) Proposed bonus issue of up to 106,173,228 Warrants in Protasco ("Warrants") on the basis of 1 Warrant for every 4 existing Protasco Shares held on the same entitlement date as the Proposed Bonus Issue of Shares.

(Collectively referred to as "Proposals")

On 9 April 2018, the shareholders of the Company approved the Proposals. On 10 April 2018, RHB announced that the Book Closure Date for the entitlement of the Bonus Shares shall be fixed on 24 April 2018 and the listing of the Bonus Shares will be on 25 April 2018.

On 10 April 2018, RHB also announced that the exercise price of the warrant will be fixed at RM0.75.

- (c) On 31 January 2018, HCM Engineering Sdn. Bhd. ("HCME"), a wholly-owned subsidiary of the Company, incorporated DAL HCM Sdn. Bhd. ("DALHCM"), through the subscription of 300,000 ordinary shares for a total consideration of RM4,500,000, representing 30% equity interest in DALHCM. Consequently, DALHCM became an associate to the Group.
- (d) On 1 March 2018, Ximax Communication Sdn. Bhd. ("XCSB"), an indirect wholly-owned subsidiary of the Company, had applied to be struck off from the Registrar of Companies in Malaysia. The process of striking off XCSB is still ongoing as at the date of the financial statements.
- (e) On 9 April 2018, Teras Pancar Sdn. Bhd. ("TPSB"), an indirect wholly-owned subsidiary of the Company, had applied to be struck off from the Registrar of Companies in Malaysia. The process of striking off TPSB is still ongoing as at the date of the financial statements.

APPENDIX A FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

DIRECTORS OF SUBSIDIARY COMPANIES OF THE GROUP

The following is the list of directors who served on the boards of the subsidiary companies of the Group since the beginning of the current financial year to the date of the Directors' Report:

YM Raja Dato' Idris Raja Kamarudin (Appointed on 31 May 2017)

Dato' Akram Ali Al Agil

Dato' Chong Ther Nen

Dato' Ir Tan Swee Kee

Dato' Jamal Bin Nasir

Dato' Kamarul Baharin Bin Abbas

Dato' Mohd Ibrahim Bin Mohd Nor

Dato' Mohd Nazar Bin Samad

Dato' Ronnie Yap Kee Tian

Dato' Roszali Bin Othman

Dato' Wan Imran Bin Wan Omar

Dato' Wan Mohamed Yaacob

Dato' Zaitun Binti Ab Samad (Appointed on 1 January 2018)

Abdul Ghani Bin Shaaban

Adlin Masood (Appointed on 9 October 2017)

Ahmad Farid Bin Ghazali

Ahmad Hilmi Bin Nawawi (Appointed on 1 March 2018)

Asri Bin Ramli

Azman Bin Idris

Chong Ther Shern (Appointed on 8 October 2017)

Chong Ther Vern (Appointed on 1 November 2017)

Edward Khoo Mong Wei

Ezendi Ang

Haji Muhammad Zamri Bin Hasan

Hiew Yun Heng

Hj. Mohd Asri Bin Sulaiman

Johari Bin Zainal

Kamaljeet Kaur (Appointed on 3 May 2017)

Kamaru Al- Amin Ismail

Lee Geok Chai (Appointed on 3 May 2017)

Low Kian Seng

Mac Chung Jin

Marina Binti Jaal

Mat Zin Bin Hussain

Mohamad Nor Ibrahim

APPENDIX A FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

DIRECTORS OF SUBSIDIARY COMPANIES OF THE GROUP (CONT'D)

The following is the list of directors who served on the boards of the subsidiary companies of the Group since the beginning of the current financial year to the date of the Directors' Report (Cont'd):

Mohd Taufik Bin Haron
 Mohd Yazip Bin Matori
 Mokhtar Bin A.Rashid
 Muhammad Hafidzi Bin Abu Bakar
 Nik Nur Aini Nik Abdullah (Appointed on 9 October 2017)
 Noor Hasnan Bin Hamzah
 Peter Wong Hung Huang
 Pon Tiam Wee
 Prof. Dr Zulkifli Bin Abdul Hamid
 Razbi Bin Abdul Razak
 Tan Chong Seng
 Taufik Bin Abd Rahim
 Wong Chun Wei (Appointed on 9 October 2017)
 Wong Meng Jinn (Appointed on 9 October 2017)
 Wong Wirry @ Wong Wee Chong
 Zainal Abidin Bin Abu Bakar
 Zulkifli Bin Ibrahim
 Mohd Tarmizi Bin Leman (Resigned on 19 March 2018)
 Redzuan Bin Zainuddin (Resigned on 21 March 2017)
 Fatihanum Binti Yawahil (Resigned on 4 May 2017)
 Muhammad Nazree Bin Abd Razak (Resigned on 4 May 2017)
 Mustafa Kamil Bin Ayub (Resigned on 31 May 2017)
 Tan Sri Datuk Seri Othman Bin Mohd Rijal (Resigned on 1 September 2017)
 Julaila Binti Jamaludin (Resigned on 10 October 2017)
 Nur Basirah Binti Mohd Shukri (Resigned on 10 October 2017)
 Hj. Mazli Zakuan Bin Mohd Nor (Resigned on 28 February 2018)

LIST OF PROPERTIES

No.	Location	Description/ Existing Use	Age of Buildings	Tenure	Approx. Land Area sq. ft.	Net Book Value at 31.12.2017 RM'000	Date of Revaluation*/ Acquisition#
1.	Lot No. 52500, 52501, 52502, 52503, 52504 & 52518, Bandar Baru Bangi, District of Sepang State of Selangor Darul Ehsan.	Institutional, commercial and residential	Between 9 - 35 years	Freehold	3,411 million	91,802	18.04.02*
2.	Lot Nos. 1576 and 1577 Held Under Grant Nos. 53674 and 53675 respectively of Mukim 4 District of Seberang Prai Tengah Pulau Pinang.	Two adjoining three-storey shop offices	22 years	Freehold	2,799	657	18.04.02*
3.	Lot No. P.T. 172, Section 90 Town and District of Kuala Lumpur State of Wilayah Persekutuan.	Intermediate four-storey shophouse	34 years	Leasehold 99 years expiring in 2076	1,760	616	01.03.02#
4.	Lot No. P.T. 166, Section 90 Town and District of Kuala Lumpur State of Wilayah Persekutuan.	Intermediate four-storey shophouse	34 years	Leasehold 99 years expiring in 2076	1,760	511	11.06.02#
5.	Lot No. P.T. 167, Section 90 Town and District of Kuala Lumpur State of Wilayah Persekutuan.	Intermediate four-storey shophouse	34 years	Leasehold 99 years expiring in 2076	1,760	511	11.06.02#
6.	Lot No. P.T. 168, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan.	Intermediate four-storey shophouse	34 years	Leasehold 99 years expiring in 2076	1,760	511	11.06.02#
7.	Lot No. P.T. 169, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan.	Corner lot four-storey shophouse	34 years	Leasehold 99 years expiring in 2076	2,208	739	11.06.02#
8.	Country Lease No. 075356580 Sungai Tinosan, Sandakan Sabah.	Land for future development	N/A	Leasehold 99 years expiring in 2074	291,850	582	10.03.05#
9.	HS (M) 1156, Blok 7 Mukim of Dengkil District of Sepang State of Selangor Darul Ehsan.	Workshop	12 years	Leasehold 99 years expiring in 2080	126,300	1,649	05.08.05#
10.	HS (M) 3647, Mukim of Dengkil District of Sepang State of Selangor Darul Ehsan.	Vacant Land	N/A	Leasehold 99 years expiring in 2091	79,100	670	25.06.08#
11.	No. Hakmilik Geran 79109, Lot 3223 Mukim of Beranang District of Ulu Langat State of Selangor Darul Ehsan.	Factory	6 years	Freehold	185,566	2,714	07.10.10#

LIST OF PROPERTIES

No.	Location	Description/ Existing Use	Age of Buildings	Tenure	Approx. Land Area sq. ft.	Net Book Value at 31.12.2017 RM'000	Date of Revaluation*/ Acquisition#
12.	HS (D) 367944 PTD 106041 Mukim of Tebrau District of Johor Bahru State of Johor Darul Takzim.	Two-storey shop office	6 years	Freehold	2,982	770	17.01.12 [#]
13.	Parcel No #17-16, Level 17, Type A Lot No HS(D) 452849 PTD 198871 Mukim of Plentong District of Johor Bahru State of Johor Darul Takzim.	Service Apartment	6 years	Leasehold 99 years expiring in 2105	609	290	18.10.12 [#]
14.	HS(D) 478361, No. Lot PTD 204275 Mukim of Plentong District of Johor Bahru State of Johor Darul Takzim.	Vacant Land	N/A	Leasehold 99 years expiring in 2084	78,792	3,734	11.05.14 [#]
15.	HS(D) 478356, No. Lot PTD 204269 Mukim of Plentong District of Johor Bahru State of Johor Darul Takzim.	Vacant Land	N/A	Leasehold 99 years expiring in 2084	87,080	4,127	11.05.14 [#]
16.	HS(D) 478357, No. Lot PTD 204270 Mukim of Plentong District of Johor Bahru State of Johor Darul Takzim.	Vacant Land	N/A	Leasehold 99 years expiring in 2084	87,080	4,127	11.05.14 [#]
17.	HS(D) 501207, No. Lot PTD 209606 Mukim of Plentong District of Johor Bahru State of Johor Darul Takzim.	Vacant Land	N/A	Leasehold 99 years expiring in 2084	113,977	5,400	11.05.14 [#]
18.	De Centrum Mall Jalan Ikram-Uniten 43690 Kajang State of Selangor Darul Ehsan.	Retail Mall	2 years	Freehold	197,327	37,134	31.12.15 [#]
19.	C-13-1 till C-13-10 C-14-1 till C-14-10 C-15-1 till C-15-10 C-16-1 till C-16-10 D-13-1 till D-13-10 D-14-1 till D-14-10 D-15-1 till D-15-10 D-16-1 till D-16-10 Kondominium Unipark Jalan US1, Taman Unipark Suria Off Jalan Ikram-Uniten 43690 Kajang State of Selangor Darul Ehsan.	Condominiums	1 year	Freehold	208,000	44,991	21.11.16 [#]
20.	Lot No. 52518 Bandar Baru Bangi District of Sepang State of Selangor Darul Ehsan.	Twelve-storey academic block	1 year	Freehold	42,688	47,432	06.04.16 [#]

ANALYSIS OF SHAREHOLDINGS

AS AT 26 MARCH 2018

Issued Share Capital : RM212,346,457
Class of Shares : Ordinary Shares
Voting Rights : One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size Of Holdings	No. of Shareholders	%	No. of Shareholders	%
1 – 99	162	2.59	6,669	0.00
100 – 1,000	385	6.15	200,749	0.05
1,001 – 10,000	3,364	53.78	16,358,439	3.85
10,001 – 100,000	1,999	31.95	57,807,639	13.63
100,001 – 21,210,469*	344	5.50	286,959,606	67.65
21,210,470 and above**	2	0.03	62,876,312	14.82
***TOTAL	6,256	100.00	424,209,414	100.00

Remarks: * Less than 5% of issued holdings

** 5% and above of issued holdings

*** Excluding 483,500 treasury shares

SUBSTANTIAL SHAREHOLDERS

Name	Direct Shareholdings		Indirect Shareholdings	
	No. of Shares Held	%	No. of Shares Held	%
Dato' Sri Ir Chong Ket Pen	66,110,677	15.58	39,083,312 ⁽¹⁾	9.21
Penmacorp Sdn Bhd	39,083,312	9.21	-	-
Employees Provident Fund Board	33,137,940	7.81	-	-

Notes:

(1) Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue of his shareholdings in Penmacorp Sdn Bhd

DIRECTORS' SHAREHOLDINGS

Name	Direct Shareholdings		Indirect Shareholdings	
	No. of Shares Held	%	No. of Shares Held	%
Tan Sri Datuk Dr Hadenan Bin A Jalil	187,500	0.04	-	-
Dato' Sri Ir Chong Ket Pen	66,110,677	15.58	43,654,562 ^(a)	10.29
Dato' Mohd Hanif Bin Sher Mohamed	280,052	0.07	-	-
Dato' Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman	750,000	0.18	3,125,000 ^(b)	0.74
Dato' Tan Yee Boon	-	-	-	-
Ir Tan Heng Kui	7,682,375	1.81	-	-
Suhaimi Bin Badrul Jamil	25,000	0.01	-	-
Lim Yew Ting	-	-	-	-
Tham Wei Mei	-	-	-	-

Notes:

(a) by virtue of his interest via his spouse, children and Penmacorp Sdn Bhd

(b) by virtue of his interest in Rencana Berkas Sdn Bhd

ANALYSIS OF SHAREHOLDINGS

AS AT 26 MARCH 2018

LIST OF TOP 30 SHAREHOLDERS

No.	Name	No. of Shares Held	%
1.	UOBM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PENMACORP SDN BHD (PCB)	37,665,812	8.88
2.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR CHONG KET PEN (PB)	25,210,500	5.94
3.	HSBC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR BNP PARIBAS SINGAPORE BRANCH (LOCAL)	20,158,927	4.75
4.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD	19,196,400	4.53
5.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR CHONG KET PEN (PBCL-0G0086)	17,500,000	4.13
6.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	15,664,575	3.69
7.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHAI BENG	12,812,875	3.02
8.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LPF)	10,670,850	2.52
9.	FEDERLITE HOLDINGS SDN BHD	6,602,875	1.56
10.	TAN HENG KUI	6,562,500	1.55
11.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LBF)	5,563,875	1.31
12.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD YAYASAN HASANAH (AUR-VCAM)	5,252,625	1.24
13.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (RHB ISLAMIC)	5,118,900	1.21
14.	ALLIANCE GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG KET PEN (8093834)	4,412,500	1.04
15.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	4,211,100	0.99
16.	ADDEEN HOLDINGS SDN BHD	4,000,000	0.94
17.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT PROGRESS FUND (4082)	3,747,000	0.88
18.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	3,674,650	0.87

ANALYSIS OF SHAREHOLDINGS

AS AT 26 MARCH 2018

No.	Name	No. of Shares Held	%
19.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ARIM)	3,500,000	0.83
20.	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEY POR YEE (MARGIN)	3,153,427	0.74
21.	RENCANA BERKAT SDN BHD	3,125,000	0.74
22.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND SD4N FOR GOVERNMENT OF THE PROVINCE OF ALBERTA	3,120,250	0.74
23.	CITIGROUP NOMINEES (ASING) SDN BHD CBLDN FOR POHJOLA BANK PLC (CLIENT AC-EUR)	2,937,500	0.69
24.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (F TEMPLETON)	2,681,740	0.63
25.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	2,662,300	0.63
26.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB DANA ISLAM	2,519,200	0.59
27.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR YAP OON NEO (PBCL-0G0435)	2,487,500	0.59
28.	HSBC NOMINEES (ASING) SDN BHD TNTC FOR LSV EMERGING MARKETS SMALL CAP EQUITY FUND, LP	2,404,625	0.57
29.	RONNIE YAP KEE TIAN	2,361,692	0.56
30.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	2,265,950	0.53
TOTAL		241,245,148	56.87

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventeenth Annual General Meeting of the Company will be held at The Function Room, 9th Floor, De Centrum Tower @ De Centrum City, Jalan Ikram-Uniten, 43000 Kajang, Selangor Darul Ehsan on Wednesday, 30 May 2018 at 11.00 a.m. to transact the following businesses:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 and the Reports of Directors and Auditors thereon.
2. To approve the payment of Directors' fees and benefits for the period from 31 May 2018 to the next Annual General Meeting. **Ordinary Resolution 1**
3. To re-elect the following Directors retiring in accordance with Article 70 of the Company's Constitution:
 - (i) Tan Heng Kui **Ordinary Resolution 2**
 - (ii) Suhaimi Bin Badrul Jamil **Ordinary Resolution 3**
4. To re-elect Tham Wei Mei retiring in accordance with Article 76 of the Company's Constitution. **Ordinary Resolution 4**
5. To appoint Messrs Crowe Horwath as auditors of the Company and authorise the Directors to determine their remuneration. **Ordinary Resolution 5**
6. To consider and if thought fit, to pass the following resolution, with or without modifications:

ORDINARY RESOLUTION - AUTHORITY TO ALLOT SHARES

Ordinary Resolution 6

"THAT pursuant to Section 75 of the Companies Act 2016 and subject to the approvals of the relevant authorities, the Directors be empowered to allot and issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this Resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF ANNUAL GENERAL MEETING

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

ORDINARY RESOLUTION - PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

Ordinary Resolution 7

"THAT subject to the Companies Act 2016 ("Act"), the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and requirements of any other relevant authorities, the Directors of the Company be 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 total number of issued shares 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 of the Company;
- (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 expiry of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340 of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or
 - (iii) the authority is 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 in the following manner as the Directors of the Company may decide:
 - (i) cancel the shares so purchased; or
 - (ii) retain the shares so purchased as treasury shares; or
 - (iii) retain part of the shares so purchased as treasury shares and cancel the remainder; or
 - (iv) distribute the treasury shares as dividends to shareholders; or
 - (v) resell the treasury shares or any of the shares in accordance with the relevant rules of Bursa Securities; or
 - (vi) transfer the treasury shares, or any of the shares for the purposes of or under an employees' share scheme; or
 - (vii) transfer the treasury shares, or any of the shares as purchase consideration; or
 - (viii) sell, transfer or otherwise use the treasury shares for such other purposes as the Minister charged with the responsibility for companies may by order prescribe.

NOTICE OF ANNUAL GENERAL MEETING

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

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

ORDINARY RESOLUTION - PROPOSED PROVISION OF FINANCIAL ASSISTANCE

Ordinary Resolution 8

“**THAT** approval be hereby given for the Company and/or its subsidiaries to provide the following financial assistance to an associate company with the controlling interest of 49%, KPS-HCM Sdn. Bhd. in the form of advances and/or corporate guarantee for infrastructure works for development of Pulau Indah Industrial Park, Phase 3C Selangor valued at RM174 million as detailed in the Circular to Shareholders dated 30 April 2018 (“Proposed Provision of Financial Assistance”).

AND THAT the Board of Directors of the Company be authorised to give effect to the Proposed Provision of Financial Assistance with full powers to do all such acts as they may consider necessary or expedient or in the best interest of the Company so as to give full effect to the same with further power to assent to any condition, modification, variation and/or amendment as may be required by the relevant authorities, bodies and/or parties and to take all steps and do all such acts and matters as they may consider necessary or expedient to implement, finalise and give full effect to the Proposed Provision of Financial Assistance.”

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

BY ORDER OF THE BOARD

KHOR HOOI LING

SEOW FEI SAN

Secretaries

Petaling Jaya

30 April 2018

NOTES TO NOTICE OF THE SEVENTEENTH ANNUAL GENERAL MEETING:

1. Only members whose names appear on the Record of Depositors as at 23 May 2018 shall be entitled to attend, speak and vote at the Seventeenth Annual General Meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead. A proxy may but need not be a member of the Company.
3. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the Seventeenth Annual General Meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless the member specifies the proportions of his holdings to be represented by each proxy.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

NOTICE OF ANNUAL GENERAL MEETING

5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised.
7. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy thereof, must be deposited at the Registered Office of the Company at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty eight (48) hours before the time appointed for holding the Seventeenth Annual General Meeting or any adjournment thereof.
8. Explanatory notes:

Ordinary Resolution 1 - The proposed Ordinary Resolution 1 is to approve the Directors' fees and benefits payable to the Non-Executive Directors ("NED") of up to an amount of RM650,000 with effect from 31 May 2018 until the next Annual General Meeting of the Company.

The fees and benefits payable to the NEDs of the Company are as follows:

- Monthly fixed fees for discharging duties as Director/Chairman; and
- Meeting allowance for each Board/Board Committee/General Meeting attended.

The shareholders at the last Annual General Meeting held on 25 May 2017 approved the Directors' fees and benefits of up to RM900,000 for the period from 1 January 2017 until the Annual General Meeting for year 2018. The actual Directors' fees and benefits paid to the NEDs for the period from 1 January 2017 until the Seventeenth Annual General Meeting is RM715,000.

Details of the fees and benefits paid to the Non-Executive Directors for the financial year ended 31 December 2017 are disclosed on page 58 of the Overview Statement on Corporate Governance in the 2017 Annual Report.

The Directors' fees and benefits for the Non-Executive Directors for the period from 31 May 2018 until the conclusion of the next Annual General Meeting in year 2019 are estimated not to exceed

RM650,000. The calculation is based on the estimated number of scheduled Board and Board Committees' meetings and on assumption that the number of the Non-Executive Directors will remain the same until the next Annual General Meeting in year 2019.

The Board will seek shareholders' approval at the next Annual General Meeting in the event the Directors' fees and benefits proposed is insufficient.

Ordinary Resolution 6 - The proposed Ordinary Resolution 6, if passed, will give the Directors of the Company, from the date of the Seventeenth Annual General Meeting, authority to allot and issue shares up to 10% of the total number of issued shares of the Company for such purposes as the Directors may deem fit and in the interest of the Company. The authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of printing of the Annual Report, no new share was issued by the Company pursuant to the authority granted to the Directors at the Sixteenth Annual General Meeting held on 25 May 2017 and the said authority will lapse at the conclusion of the Seventeenth Annual General Meeting.

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

Ordinary Resolution 7 - The proposed Ordinary Resolution 7, if passed, will empower the Directors of the Company to purchase the Company's shares up to ten percent (10%) of the total number of issued shares of the Company ("Proposed Share Buy-Back") by utilising the funds allocated which shall not exceed the total retained earnings of the Company. Further information on the Proposed Share Buy-Back is set out in the Share Buy-Back Statement to Shareholders dated 30 April 2018, which is despatched together with the Company's Annual Report 2017.

Ordinary Resolution 8 - The proposed Ordinary Resolution 8, if passed, will empower the Company and/or its subsidiaries to provide financial assistance to KPS-HCM Sdn. Bhd. in the form of advances and/or corporate guarantee ("Provision of Financial Assistance") to facilitate the ordinary course of business of KPS-HCM Sdn. Bhd. Further information on the Provision of Financial Assistance is set out in the Circular to Shareholders dated 30 April 2018, which is despatched together with the Company's Annual Report 2017.

FORM OF PROXY



I/We _____
(Full Name)

NRIC/Passport/Company No. _____

of _____
(Full Address)

being a member/members of **Protasco Berhad** hereby appoint _____
(Full Name)

NRIC/Passport _____

of _____
(Full Address)

or failing him/her _____
(Full Name)

NRIC/Passport _____

of _____
(Full Address)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote on my/our behalf at the Seventeenth Annual General Meeting of the Company to be held at The Function Room, 9th Floor, De Centrum Tower @ De Centrum City, Jalan Ikram-Uniten, 43000 Kajang, Selangor Darul Ehsan on Wednesday, 30 May 2018 at 11.00 a.m. and at any adjournment thereof.

No.	Ordinary Resolutions	For	Against
1.	To approve the payment of Directors' fees and benefits.		
2.	To re-elect Tan Heng Kui as a Director of the Company.		
3.	To re-elect Suhaimi Bin Badrul Jamil as a Director of the Company.		
4.	To re-elect Tham Wei Mei as a Director of the Company.		
5.	To appoint Messrs Crowe Horwath as auditors of the Company and authorise the Directors to determine their remuneration.		
6.	To approve the Authority to Allot Shares.		
7.	To approve the proposed renewal of share buy-back authority.		
8.	To approve the proposed Provision of Financial Assistance.		

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, 2018

Signature of Shareholder/Common Seal

Number of shares held	
CDS Account No.	

Notes:

1. Only Members whose names appear on the Record of Depositors as at 23 May 2018 shall be entitled to attend, speak and vote at the Seventeenth Annual General Meeting.
2. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead. A proxy may but need not be a Member of the Company.
3. A Member shall be entitled to appoint not more than two (2) proxies to attend and vote at the Seventeenth Annual General Meeting. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless the Member specifies the proportions of his holdings to be represented by each proxy.
4. Where a Member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
5. Where a Member of the Company is an exempt authorised nominee which holds ordinary share in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised.
7. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy thereof, must be deposited at the Registered Office of the Company at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty eight (48) hours before the time appointed for holding the Seventeenth Annual General Meeting or any adjournment thereof.

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STAMP

The Company Secretaries

PROTASCO BERHAD (548078-H)
802, 8th Floor, Block C, Kelana Square
17, Jalan SS7/26, 47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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