

PROTASCO BERHAD

NOTES TO THE INTERIM FINANCIAL REPORTS

1. Basis of Accounting and Accounting Policies

The interim financial statements have been prepared in accordance with MASB 26 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2003. The explanatory notes attached to the financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2003.

The interim financial statements have been prepared based on similar accounting policies and methods of computation applied in the preparation of the financial statements for the year ended 31 December 2003.

2. Declaration of audit qualification

The preceding audited financial statements of the Company were reported without any qualification.

3. Seasonal or Cyclical Factors

The Group's business operations for the period ended 30 September 2004 are not materially affected by significant seasonal or cyclical fluctuations.

4. Unusual Items Due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 30 September 2004.

5. Changes in estimates

There was no change in the estimates that have had a material effect in the current quarter.

6. Segmental Information

| | 3 months ended 30.09.2004 | 9 months ended 30.09.2004 |
|---|---------------------------------|---------------------------------|
| Segmental Revenue | RM'000 | RM'000 |
| Road construction, rehabilitation and maintenance | 114,541 | 337,857 |
| Engineering services | 18,085 | 44,869 |
| Training | 3,375 | 6,818 |
| Trading | 21,348 | 79,815 |
| Education | 19 | 5,162 |
| Others | 1,430 | 4,429 |
| | <hr/> 158,798 | <hr/> 478,950 |
| Eliminations | (8,499) | (35,031) |
| Group | <hr/> 150,299 | <hr/> 443,919 |

* refers to profit from operations

| | 3 months ended 30.09.2004 | 9 months ended 30.09.2004 |
|---|---------------------------------|---------------------------------|
| Segmental Results | RM'000 | RM'000 |
| Road construction, rehabilitation and maintenance | 15,584 | 46,861 |
| Engineering services | 4,851 | 6,645 |
| Training | 909 | 255 |
| Trading | 750 | 2,951 |
| Education | (2,484) | (1,868) |
| Others | 4,073 | 11,539 |
| | <hr/> 23,683 | <hr/> 66,383 |
| Eliminations | (53) | (53) |
| Profit from operations | <hr/> 23,630 | <hr/> 66,330 |

7. Valuation of property, plant and equipment

The Group did not carry out any valuation on the property, plant and equipment during the current quarter under review.

8. Subsequent events

There have been no material events subsequent to the end of current quarter under review.

9. Changes in Composition of the Group

There were no material changes in the composition of the Group during the current quarter.

10. Contingent Liabilities

| | As at 30.09.2004 (RM'000) | As at 31.12.2003 (RM'000) |
|---|---------------------------------|---------------------------------|
| Performance guarantee extended by subsidiaries to third parties | 119,051 | 118,115 |
| Guarantee given by a subsidiary company to Government of Malaysia for the repayment of advance payment received | 8,700 | 8,700 |

11. Capital Commitments

| | As at 30.09.2004 RM'000 |
|---------------------------------|-----------------------------------|
| Approved and contracted for | 84 |
| Approved but not contracted for | <u>7,726</u> |
| | <u>7,810</u> |

12. Dividend

i. An interim ordinary dividend has not been declared for the financial period ended 30 September 2004.

ii. In respect of the financial year ended 31 December 2003 as reported in the directors' report of that year:

| | |
|--|---------------|
| | <u>RM'000</u> |
| First interim tax exempt dividend of 4.32%, paid on 10 February 2004 | 6,480 |

| | |
|---|--------|
| Final dividend of 10% less 28% taxation, paid on 12 July 2004 | 10,800 |
|---|--------|

iii. In respect of the financial year ending 31 December 2004, the Board of Directors in accordance with the resolution of the directors on 24 November 2004 has approved the following:

| | |
|---|---------------|
| | <u>RM'000</u> |
| Proposed interim dividend of 6.388% less 28% taxation | 6,900 |

The payment date is on 18 January 2005.

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of KLSE

13. Performance Review

The Group's revenue for the current financial period ended 30 September 2004 has decreased to RM443.9 million from RM544.3 million in the prior financial period ended 30 September 2003. Meanwhile the profit before taxation (PBT) has decreased to RM66.1 million from RM73.2 million for the respective periods. The drop in revenue is in line with the slow pace of the construction industry currently experienced in Malaysia. The impact on PBT however was partly offset by the higher margin achieved from the road maintenance division, lower finance costs from the reduced borrowings and higher income received from deposits placed with financial institutions.

As a result from the drop in revenue, the Group's current quarter revenue and profit before taxation were also reduced from previous years corresponding quarter accordingly.

14. Comment on Material Change in Profit Before Taxation

The Group's profit before taxation for the current quarter of RM23.7 million represents an increase of RM1.2 million or 5.3% from the previous quarter ended 30 June 2004 of RM22.5 million.

15. Commentary on Prospects

Barring any unforeseen circumstances, the Group expects its performance to be maintained in the later part of the year.

16. Profit Forecast or Profit Guarantee

Not applicable.

17. Taxation

| | 3 months ended 30.09.2004 | 9 months ended 30.09.2004 |
|---------------------------------|---------------------------------|---------------------------------|
| Current year provision | 6,212 | 16,853 |
| Under provision from prior year | 10 | 480 |
| | <u>6,222</u> | <u>17,333</u> |

18. Sale of Unquoted Investments and Properties

There was no sale of unquoted securities and properties during the current quarter.

19. Quoted Securities

There were no purchase or sale of quoted securities during the current quarter.

20. Corporate Proposals

There were no corporate proposals announced but not completed during the current quarter.

21. Borrowings and Debt Securities

| | As at 30.09.2004 RM'000 |
|------------------------|-------------------------------|
| Short term borrowings: | |
| Secured | 3,455 |
| Long term borrowings: | |
| Secured | 3,343 |
| Total borrowings | <u>6,798</u> |

22. Short Term Investments

| | As at 30.09.2004 RM'000 | As at 31.12.2003 RM'000 |
|-----------------------------------|-------------------------------|-------------------------------|
| Investments in money market funds | 12,427 | 12,197 |

23. Off Balance Sheet Financial Instruments

The Group does not have any off balance sheet financial instruments as at the date of this announcement.

24. Changes in Material Litigations

There are no material litigations that might adversely and materially affect the position of the Group as at the date of this announcement.

25. Earning Per Share

| Basic | 3 months ended 30.09.2004 | 9 months ended 30.09.2004 |
|--|---------------------------------|---------------------------------|
| | RM'000 | RM'000 |
| Net profit for the period | 12,341 | 35,912 |
| Weighted average number of ordinary shares in issue | 300,000 | 300,000 |
| Basic earnings per ordinary share (sen) | 4.11 | 11.97 |

26. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with the resolution of the directors on 24 November 2004.