PROTASCO BERHAD
(Company Number 548078-H)

INTERIM REPORT FOR THE QUARTER ENDED 31 MAR 2012

PART A - EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (FRS 139)

1. Basis of Accounting and Accounting Policies

The interim financial statements have been prepared under the historical cost convention.

The interim financial statements are unaudited and have been prepared in accordance with FRS134: 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 2011. 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 2011.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2011 except for the adoption of the following new/revised Financial Reporting Standards (FRSs): Amendments to FRSs and IC Interpretations which are applicable for the Group's financial period from 1 January 2012.

IC Interpretation 9	Extinguishing Financial Liabilities with Equity Instruments Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to MFRS 1)

Disclosures – Transfers of Financial Assets (Amendments to MFRS 7)
Deferred Tax: Recovery of Underlying Assets (Amendments to MFRS 112)

The adoption of the IC Interpretation and Amendments to MFRSs above did not have any financial impact on the Group as they mainly help to clarify the requirements of or provide further explanations to existing MFRSs.

The following MFRSs and IC Interpretations have been issued by the MASB and are not yet effective:

<u>Effective for annual periods commencing on or after 1 July 2013</u>

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurements
MFRS 119	Employee Benefits (as amended in June 2011)
MFRS 127	Separate Financial Statements (as amended by IASB in May 2011)
MFRS 128	Investments in Associates and Joint Ventures (as amended by IASB in May 2011)
IC Interpretation 20	Stripping costs in the Production Phase of a Surface Mine

Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7)

<u>Effective for annual periods commencing on or after 1 July 2014</u>
Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)

<u>Effective for annual periods commencing on or after 1 July 2015</u>

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)

2. Changes in Accounting Policies (Continued)

IC Interpretation 20 will not have any financial impact to the Group as it is not relevant to the Group's operations. The financial effects of the above MFRSs are still being assessed due to complexity of these new MFRSs and Amendments to MFRSs, and their proposed challenges.

3. Declaration of audit qualification

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

4. Seasonal or Cyclical Factors

The Group's business operations for the quarter ended 31 Mar 2012 were not materially affected by significant seasonal or cyclical fluctuations.

5. 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 quarter ended 31 Mar 2012.

6. Changes in estimates

There were no major changes in estimates that have had a material effect in the current quarter.

7. Segmental Information

	REVENUE		OPERATING RESULTS	
	3 months ended 31.03.2012	3 months ended 31.03.2011	3 months ended 31.03.2012	3 months ended 31.03.2011
OPERATING SEGMENT	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Construction Contracts	63,803	67,550	9,748	10,342
Engineering Services	14,042	15,522	796	1,670
Trading	31,971	30,421	699	1,230
Education & Training	12,651	10,042	642	(389)
Property Development	1,448	8,544	17	1,014
Others	898	1,123	156	(430)
Eliminations	(5,902)	(11,262)	-	(1,175)
GROUP	118,911	121,940	12,058	12,262
Add : Share of Results of Associates			-	-
Less : Finance Cost			(499)	(466)
Profit Before Tax			**11,559**	**11,796**

Note : Analysis on segmental performance is presented in Note 14 below in accordance to the amendments to Main Market Listing Requirements in relation to disclosure and other obligations and corporate disclosure guide effective from financial year ended 31 Dec 2011.

8. Valuation of property, plant and equipment

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

9. Subsequent events

There were no significant events subsequent to the end of current quarter under review.

10. Changes in Composition of the Group

There was no material changes in the composition of the Group during the interim period ended 31 March 2012.

11. Contingent Liabilities

The changes in contingent liabilities are as follows:

	As at 31.03.2012 (RM'000)	As at 31.12.2011 (RM'000)
Guarantees given to financial institutions in respect of credit facilities granted to subsidiary companies	227,326	227,326
Corporate guarantees given to suppliers for credit facilities granted to subsidiary companies	11,700	11,700
Guarantee given to Government of Malaysia for repayment of advance payment	8,700	8,700
Guarantee given to Government of Malaysia for performance bond for services rendered	593	591
Performance guarantee extended to third parties	7,709	7,709

12. Capital Commitments

	As at 31.03.2012 RM'000
Approved and contracted for	7,599
Approved but not contracted for	22,783
	30,382

13. Dividend

No interim dividends were declared or paid for the financial period ended 31 March 2012

In respect of the financial year ending 31 December 2011, the Board of Directors in accordance with the resolution of the directors on 23 November 2011 has approved the following:

	RM'000
Interim single tier dividend of 4 sen per ordinary share paid on 9 January 2012	11,867

At the forthcoming Annual General Meeting, the directors recommend a final single tier dividend in respect of the financial year ended 31 December 2011 of 296,665,200 ordinary shares of RM0.50 each to be paid to shareholders whose names appear in the Record of Depositors on 29 June 2012.

The financial statement for the financial period under review do not reflect the above dividend proposal.

PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APP'X 9B OF THE MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITES BERHAD BURSA

14. Analysis of Unaudited Performance of the Group by Operating Segment

During the period under review, the Group recorded profit after taxation and non-controlling interests of RM5.63 million on the back of RM119 million turnover. Compared to the corresponding period last year, turnover dropped by 2.5%, mainly caused by the significant decline in property development's revenue recognition, as the Tower B Unipark Suria Condominium project is nearing completion. However profit attributable to equity holders improved from RM3.6 million in Qtr 1, 2011 to RM5.6 million in the current reporting period mainly due to higher tax expenses last year, resulting from prior years tax charges.

Analysis of results by Operating Segment (nett of inter-segment sales) are as follows;

i) Construction Contracts

	Qtr ended 31.03.2012 RM'000	**Y-T-D ended 31.03.2012** RM'000	**Qtr ended 31.03.2011** RM'000	**Y-T-D ended 31.03.2011** RM'000
Revenue	63,803	63,803	67,550	67,550
Operating Profit / (Loss)	9,748	9,748	10,342	10,342

Compared to the corresponding period last year, turnover declined by 5.5% mainly due to inability to replenish the order book for the building construction unit. Consequently, operating profit recorded RM9.75 million, or 5.7% lower than previous year's corresponding quarter. Lower gross margin resulting from higher price of raw material coupled with higher operating expenses due to restructuring of corporate office expenditure to this operating segment also affected the bottom line of the segment.

ii) Engineering Services

	Qtr ended 31.03.2012 RM'000	**Y-T-D ended 31.03.2012** RM'000	**Qtr ended 31.03.2011** RM'000	**Y-T-D ended 31.03.2011** RM'000
Revenue	14,042	14,042	15,522	15,522
Operating Profit / (Loss)	796	796	1,670	1,670

Turnover for the segment declined by 9.5% in the reporting quarter compared to the corresponding quarter previous year. The soil investigation jobs experience a significant decline due to reduction in public sector expenditure directly awarded to Kumpulan Ikram in the current reporting quarter compared to the same period last year. Consequently operating profit for the segment achieved RM0.8 million, merely half of the results in the corresponding period last year. The lower bottom line was also caused by the internal restructuring where certain expenditure previously borne by the Education & Training segment and Corporate segment are now expensed off in the Engineering Service sector.

iii) Trading

	Qtr ended 31.03.2012 RM'000	Y-T-D ended 31.03.2012 RM'000	Qtr ended 31.03.2011 RM'000	Y-T-D ended 31.03.2011 RM'000
Revenue	31,971	31,971	30,421	30,421
Operating Profit / (Loss)	699	699	1,230	1,230

Despite the marginally higher turnover, operating results has dropped to RM0.7 million compared to RM1.23 million in the corresponding period last year. Due to excess supply of Bitumen coupled with moderate demand from the civil construction industry in the market, selling price had been compromised resulting in lower average GP margin of below 5% during the quarter under review. Previous year corresponding period registered GP margin of 8% for Bitumen sales.

iv) Education & Training

	Qtr ended 31.03.2012 RM'000	Y-T-D ended 31.03.2012 RM'000	Qtr ended 31.03.2011 RM'000	Y-T-D ended 31.03.2011 RM'000
Revenue	12,651	12,651	10,042	10,042
Operating Profit / (Loss)	642	642	(390)	(390)

This segment registered an improvement in turnover and operating results mainly due to the impact of the revised tuition fees for the semester beginning Novermber 2009 for new students for the Kuala Lumpur Infrastructure University College (KLIUC). The training units also registered better results due to effective cost control measures implemented, coupled with higher revenue from increase trainees enrolled during the period under review.

v) Property Development

	Qtr ended 31.03.2012 RM'000	Y-T-D ended 31.03.2012 RM'000	Qtr ended 31.03.2011 RM'000	Y-T-D ended 31.03.2011 RM'000
Revenue	1,448	1,448	8,544	8,544
Operating Profit / (Loss)	17	17	1,014	1,014

Presently this segment's only project is the development of Unipark Suria Condominium in Kajang. Turnover and operating results were significantly lower compared to corresponding period last year due to the Block B Unipark Suria Condominium nearing completion towards the end of the year 2011. Other project are still in early development stage and the results is anticipated to be recorded from the second half of the current financial period.

15. Material Changes in the Quarterly Results Compared to the Results of the Preceding Quarter

Consistent with the trend in previous years, revenue for the first quarter of the year dipped to RM118.9 million from RM245.5 million registered in the immediate preceding quarter. Consequently, the current quarter's PBT recorded RM11.6 million, slightly less than half of RM24.1 million PBT registered in Qtr 4, 2011. This was mainly due to billings to the public sector has historically been higher in the final quarter of the year as compared to the first quarter of the year.

16. Commentary on Prospects

During the period under review, the Group's Engineering Services arm, Kumpulan Ikram Sdn Bhd (KISB) has executed a Memorandum of Agreement with Datuk Bandar Kuala Lumpur whereby the latter acknowledged the appointment of KISB as independent consultants for hill slopes and related developments in the Federal Territory of Kuala Lumpur. This event and other efforts to expand its revenue base is expected to mitigate the decline in business volume for this segment due to the completion of the Government Concession on 31 December 2011. The granting of the housing development license to subsidiary, De Centrum Development Sdn Bhd in early May 2012 for a mix development project in Kajang, is expected to fuel the results of Property Development segment where the Group expects to unlock the value of its existing landbank.

Barring unforeseen circumstances, the Group remains positive of its overall performance in 2012 while striving to improve operational efficiency and productivity.

17. Profit Forecast or Profit Guarantee

Not applicable.

18. Taxation

	3 months ended 31.03.2012 RM'000	3 months ended 31.03.2011 RM'000
Current provision	3,370	5,530
Deferred taxation	-	-
Total	**3,370**	**5,530**

The effective tax rates for the current year were higher than the statutory tax rate principally due to losses of certain subsidiary companies that cannot be offset against taxable profits made by the other subsidiaries and due to non-allowable expenses incurred.

19. Sale of Unquoted Investments and Properties

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

20. Quoted Securities

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

21. Corporate Proposals

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

22. Borrowings and Debt Securities

	As at 31.03.2012 RM'000	As at 31.12.2011 RM'000
Short term borrowings:		
Secured	33,007	33,614
Long term borrowings:		
Secured	4,416	3,961
Total borrowings	37,423	37,575

23. Short Term Investments

	As at 31.03.2012 RM'000	As at 31.12.2011 RM'000
Investments in money market funds	36,731	30,901

There were no material profits/ losses arise from the sale of the above investment as the capital value is preserved.

24. Off Balance Sheet Financial Instruments

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

25. Material Litigations

Other than stated below, there were no changes in material litigation since the last annual balance sheet date;

HCM Engineering Sdn. Bhd. ("HCM"), a wholly owned subsidiary of Protasco Berhad, received a winding up noticepursuant to Section 218(2) of the Companies Act, 1965 on 25 October 2011 arising from two judgments in default (of appearance) which was entered against them for the sum of RM507,661.78 in Shah Alam High Court Suit No: 22-1558-2010 and the sum of RM9,960,492.17 in Shah Alam High Court Suit No: 22-1559-2010 respectively. Both judgments were entered on 11 July 2011.

The judgement for RM507,661.78 is premised an alleged wrongful deductions from payments due to Menuju Asas Sdn Bhd in relation to "Projek Pembinaan Kem Group Gerak Khas - Fasa 1" in Mersing, Johor.

The judgement for RM9,960,492.17 is allegedly due to Menuju Asas Sdn Bhd, Mohd Redzuan Mohanan bin Abdullah (t/a Menuju Asas Enterprise) and Mohd Redzuan Mohanan bin Abdullah arising from HCM pursuant to the termination of the Settlement Agreement dated 6 May 2010 entered into between the said parties and HCM.

HCM has engaged a firm of solicitors to set aside both the judgments and resist any attempt to file a winding up petition premised on the said judgments which HCM contend is without merit.

On 10 November 2011, HCM has successfully obtained an interim stay order pending the next hearing date of the stay and setting aside applications for both suit No: 22-1558-2010 and suit No: 22-1559-2010. On the case management date on 4 May 2012, a new mention date was fixed on 8 June 2012 for both parties to file their written submission simultaneously and a hearing date for the stay and setting aside applications will also be fixed during the said mention date.

26. Earning Per Share

Basic	3 months ended 31.03.2012
Net profit attributable to ordinary shareholders (RM'000)	5,633
Weighted average number of ordinary shares in issue less Treasury Shares ('000)	296,665
Basic earnings per ordinary share (sen)	1.90

27. Realised and unrealised profit/losses disclosure

On 25 March 2010, Bursa Malaysia Securites ("Bursa Securities") had issued directive to all listed issuers to disclose a breakdown of the unappropriate profits or losses into realised and unrealised profit or loss.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the format required. Pursuant to the directive, the breakdown of the retained profits of the Group as at 31 December 2010, into realised and unrealised profits is as follows:

	As at 31.03.2012 RM'000	As at 31.12.2011 RM'000
Total retained Profits		
- Realised	260,724	255,092
- Unrealised	(8,692)	(8,692)
	252,032	246,400
Less : Share of retained profits of associate	(1,676)	(1,676)
Less : Consolidation adjustments	(76,554)	(76,555)
Total Group Retained Profits	173,802	168,169

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No 1, issued by the Malaysian Institute of Accountant on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements as stipulated in the directive of Bursa Securities and should not be applied for any other purpose.

28. 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 23 May 2012.