

INTERIM REPORT FOR THE QUARTER ENDED 31 MARCH 2014
PART A - EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (FRS 134)
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 2013. 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 2013.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those followed in the preparation of the Group's audited financial statements for the financial year ended 31 December 2013, except for the adoption of Amendments to Standards and Issue Committee (IC) interpretations effective as of 1 January 2014.

The Group has adopted the following Amendments to Standards and IC Interpretations, with a date of initial application of 1 January 2014.

Amendments to FRS 10	Consolidated Financial Statements: Investment Entities
Amendments to FRS 12	Disclosure of Interests in Other Entities: Investment Entities
Amendments to FRS 127	Separate Financial Statements: Investment Entities
Amendments to FRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 136	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
Amendments to FRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

The above new amendments to standard do not have financial impact on the results of the Group as these changes only affect disclosures.

The Malaysian Accounting Standard Board has given the Transitioning Entities the option to continue to apply the Financial Reporting Standards framework until 31 December 2014. The Group is a Transitioning Entities due to its involvement in the development and construction of real estate. The Group shall adopt the new IFRS-compliant framework, Malaysian Financial Reporting Standard from financial year beginning 1 January 2015.

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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 March 2014 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 March 2014, other than the acquisition of 63% equity interests in PT Anglo Slavic Indonesia as disclosed in Note 20.

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		PROFIT BEFORE TAX	
	3 months ended 31.3.2014	3 months ended 31.3.2013	3 months ended 31.3.2014	3 months ended 31.3.2013
OPERATING SEGMENTS	RM'000	RM'000	RM'000	RM'000
Maintenance	50,786	80,483	16,732	18,675
Construction	28,566	995	2,442	(1,956)
Engineering & Consultancy	10,992	8,576	2,224	(2,510)
Trading & Manufacturing	32,745	31,985	1,133	760
Education	12,232	10,907	(539)	(537)
Property development	21,242	4,793	4,262	522
Others & Eliminations	(8,813)	(3,026)	(4,548)	584
GROUP	147,750	134,713	21,706	15,538

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.

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9. Subsequent events

Save for the following, there was no material event subsequent to the end of the current quarter up to 20 May 2014, being the last practicable date from the date of the issue of this report that are expected to have an operational impact on the Group: -

a. Employees' Share Scheme ("ESS")

From 4 April 2014 until 20 May 2014, a total of 1,522,900 new ordinary shares of RM0.50 each were listed pursuant to the ESS.

b. New Subsidiaries

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

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

On 7 May 2014, PVP incorporated a wholly-owned subsidiary, Protasco Agro Ltd ("PAL"), a company incorporated in British Virgin Islands with an authorised share capital of US\$10 million divided into 10,000,000,000 shares at par value of US\$0.001. The issued and paid up share capital is US\$2 million divided into 2,000,000,000 shares of US\$0.001 each. PAL was set up to undertake new ventures.

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 2014 other than the acquisition of 63% equity interests in PT Anglo Slavic Indonesia ("PT ASI") as disclosed in Note 20(a) and incorporation/acquisition of subsidiaries as disclosed in Note 9(b).

The mining reserve is the difference between the acquisition price and the fair value of net assets of PT ASI.

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11. Contingent Liabilities

The changes in contingent liabilities are as follows:

	<u>As at</u> <u>31.3.2014</u> (RM'000)	<u>As at</u> <u>31.12.2013</u> (RM'000)
Guarantees given to financial institutions in respect of credit facilities granted to subsidiary companies	307,670	307,670
Corporate guarantees given to suppliers for credit facilities granted to subsidiary companies	53,900	53,900
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	3,662	3,662
Performance guarantee extended to third parties	7,689	7,689

12. Capital Commitments

	<u>As at</u> <u>31.3.2014</u> RM'000
Approved and contracted for	423
Approved but not contracted for	<u>12,948</u>
	<u><u>13,371</u></u>

13. Dividend

No interim dividends were declared or paid for the financial period ended 31 March 2014.

In respect of the financial year ended 31 December 2013, dividends paid were as follows:

	RM'000
Interim single tier dividend of 4 sen per ordinary share paid on 2 January 2014	12,596

At the forthcoming Annual General Meeting, the directors recommend a final single tier dividend of 6 sen per ordinary share in respect of the financial year ended 31 December 2013 to be paid to shareholders whose names appear in the Record of Depositors on 27 June 2014.

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

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PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APP'X 9B OF THE MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD
14. Analysis of Unaudited Performance of the Group by Operating Segment

For the quarter under review, the Group recorded a revenue of RM147.8 million, an improvement of 9.7% over the preceding year corresponding quarter of RM134.7 million. The improvement was contributed from all segments of business save for the maintenance segment, which posted a decline of revenue by 58.5%.

Profit after taxation attributable to the Group increased from RM4.9 million to RM10.6 million. The increase was mainly contributed from construction, engineering and consultancy services and property development.

Analysis of results by operating segment are as follows:

i) Maintenance

	Qtr ended 31.3.2014 RM'000	Y-T-D ended 31.3.2014 RM'000	Qtr ended 31.3.2013 RM'000	Y-T-D ended 31.3.2013 RM'000
Revenue	50,786	50,786	80,483	80,483
Profit Before Tax	16,732	16,732	18,675	18,675

Maintenance segment recorded a decline in revenue by 58.5% due to additional periodic maintenance works performed in 2013. Profit before tax, however, only declined by 10.4% as generally the margins for periodic maintenance works are lower.

ii) Construction

	Qtr ended 31.3.2014 RM'000	Y-T-D ended 31.3.2014 RM'000	Qtr ended 31.3.2013 RM'000	Y-T-D ended 31.3.2013 RM'000
Revenue	28,566	28,566	995	995
Profit / (Loss) Before Tax	2,442	2,442	(1,956)	(1,956)

Construction revenue increased from RM995,000 to RM28.6 million. This is due to on-going projects that were secured in mid-2013. The improved turnover has enabled the construction segment to record a pre-tax profit of RM2.4 million from a pre-tax loss of RM2.0 million in the preceding year corresponding quarter.

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iii) Engineering & Consultancy Services

	Qtr ended 31.3.2014 RM'000	Y-T-D ended 31.3.2014 RM'000	Qtr ended 31.3.2013 RM'000	Y-T-D ended 31.3.2013 RM'000
Revenue	10,992	10,992	8,576	8,576
Profit / (Loss) Before Tax	2,224	2,224	(2,510)	(2,510)

This segment posted a revenue of RM11.0 million as compared to RM8.6 million in the preceding year corresponding quarter. Despite revenue only increased by 28%, pre-tax profit recorded in this quarter is RM2.2 million. Compared to a pre-tax loss of RM2.5 million suffered in the first quarter of 2013, the turnaround was due to higher profit margin achieved from the geotechnical services as well as better cost control.

iv) Trading

	Qtr ended 31.3.2014 RM'000	Y-T-D ended 31.3.2014 RM'000	Qtr ended 31.3.2013 RM'000	Y-T-D ended 31.3.2013 RM'000
Revenue	32,745	32,745	31,985	31,985
Profit Before Tax	1,133	1,133	760	760

Revenue improved by 2.4% as compared to the preceding year corresponding quarter. Pre-tax profit increased by 49% due to shift of concentration of this segment to higher margin products.

v) Education

	Qtr ended 31.3.2014 RM'000	Y-T-D ended 31.3.2014 RM'000	Qtr ended 31.3.2013 RM'000	Y-T-D ended 31.3.2013 RM'000
Revenue	12,232	12,232	10,907	10,907
Loss Before Tax	(539)	(539)	(537)	(537)

Higher students intake in October 2013 for Infrastructure University Kuala Lumpur has contributed to better revenue of RM12.2 million in this quarter. Despite higher revenue, this segment continued to record pre-tax loss of RM539,000. This is due to higher operating costs incurred on international students.

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vi) Property Development

	Qtr ended 31.3.2014 RM'000	Y-T-D ended 31.3.2014 RM'000	Qtr ended 31.3.2013 RM'000	Y-T-D ended 31.3.2013 RM'000
Revenue	21,242	21,242	4,793	4,793
Profit Before Tax	4,262	4,262	522	522

The accelerated development from the mix development project, De Centrum, has contributed to the improved revenue and pre-tax profit of the property development segment. As at 31 March 2014, the progress of the project was at 24%.

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

Revenue for this current quarter is 61% lower than that of the preceding quarter. Correspondingly, profit after taxation attributable to the Group declined by 31.1%. Generally, the performance of the 4th quarter is better due to accelerated government spending which improved the performance of the maintenance segment.

16. Commentary on Prospects

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

Construction segment will continue to improve its profits in the ensuing years with the commencement of the RM580 million contract to design, build and sell 1,680 units of affordable housing in Putrajaya under the 'Perumahan Penjawat Awam 1Malaysia' (PPA1M) project and two (2) projects secured under the 'Perumahan Mampu Milik 1Malaysia' valued at RM88 million.

With unbilled sales of RM122.6 million from the development of De Centrum Phase 1, the Property Development segment's profits will be further enhanced. The Group plans to launch the Phase 2A of the De Centrum City, comprising 320 units of apartments in the second quarter of this year. The project is expected to generate a gross development value (GDV) of approximately RM200 million.

The Group will also continue to explore other business opportunities, both locally and internationally, to further enhance the shareholders' value.

Barring unforeseen circumstances, the Board of Directors is optimistic that the Group will continue to improve its overall performance in 2014.

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17. Profit Forecast or Profit Guarantee

Not applicable.

18. Taxation

	<u>3 months</u> <u>ended</u> <u>31.3.2014</u> RM'000	<u>3 months</u> <u>ended</u> <u>31.3.2013</u> RM'000
Current provision	6,188	6,325
Deferred taxation	-	-
Total	<u>6,188</u>	<u>6,325</u>

The effective tax rate for the current quarter was 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 non-allowable expenses incurred.

19. Profit after Taxation

	<u>3 months</u> <u>Current</u> <u>Quarter To</u> <u>Date</u> <u>31.3.14</u> RM'000	<u>3 months</u> <u>Corresponding</u> <u>Quarter To</u> <u>Date</u> <u>31.3.13</u> RM'000
Profit for the period is arrived at after (crediting) / charging;		
Interest income	(1,254)	(872)
Other income including investment income	(3,576)	(351)
Interest expenses	586	559
Depreciation and amortisation	3,470	3,499
Recovery/write back of receivables previously written off less impairment loss of and write off of receivables	(532)	(700)
Foreign exchange loss	307	132

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20. Corporate Proposals

a. Status of proposal

Save for the following, there was no other corporate proposal announced but not completed in the current quarter up to 20 May 2014, being the last practicable date from the date of the issue of this report: -

i. Proposed Acquisition

On 28 December 2012, AmlInvestment Bank Berhad on behalf of the Board of Directors of Protasco Berhad ("PB") announced that PB had on 28 December 2012 entered into a conditional sale and purchase agreement ("Conditional SPA") with PT Anglo Slavic Utama ("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 USD55.0 million.

PT ASI holds 95% equity interest in PT Firman Andalan Sakti ("PT FAS") which in turn holds 70% equity interest in PT Hase Bumou Aceh ("PT Haseba") ("PT ASI Group"). PT Haseba has a 10 year production management partnership agreement ("PMP Agreement") with PT Pertamina (PERSERO) ("Pertamina") to develop and to produce oil and gas in the Kuala Simpang Timur Field ("KST Field") from 14 December 2004.

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

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20. Corporate Proposals (Cont'd)

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

- (a) Consent of PT Pertamina EP ("Pertamina"), a state-owned entity in Indonesia;
- (b) Extension of the Production Management Partnership ("PMP") Agreement made between Pertamina and PT Hase Bumou Aceh ("PT Haseba"), a sub-subsiary of PT ASI, beyond its expiry on 14 December 2014 for a further ten (10) years; and
- (c) Issuance of SKT Migas license by the Ministry of Energy and Mineral Resources' Director General of Oil and Gas Indonesia to PT Haseba.

ii. New Issue of Securities

On 12 December 2013, AmInvestment Bank Berhad on behalf of the Board of Directors of PB announced that PB proposes to undertake the following: -

- (a) proposed private placement of up to 50,000,000 new ordinary shares of RM0.50 each in PB ("Placement Shares") together with up to 100,000,000 new detachable warrants ("Warrants") on the basis of two (2) Warrants for every one (1) Placement Shares ("Proposed Private Placement"); and
- (b) proposed bonus issue of up to 33,546,259 free Warrants on the basis of one (1) free Warrant for every ten (10) existing PB shares.

(collectively referred to as the "Proposals")

On 13 January 2014, AmInvestment Bank Berhad on behalf of the Board of Directors of PB announced that Bursa Malaysia Securities Berhad ("Bursa Securities") had approved the application in relation to the: -

- (a) admission to the Official List and listing of and quotation of up to 133,546,259 new Warrants to be issued pursuant to the Proposals; and
- (b) the listing for up to 50,000,000 new PB Shares pursuant to the Proposed Private Placement and up to 133,546,259 new PB Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities.

On 30 January 2014, the shareholders of PB had at the Extraordinary General Meeting passed all the resolutions in respect of the Proposals.

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21. Borrowings and Debt Securities

	<u>As at</u> <u>31.3.2014</u> RM'000	<u>As at</u> <u>31.12.2013</u> RM'000
Secured :		
Short term borrowings	63,236	44,500
Long term borrowings	3,047	3,400
Bank overdrafts	<u>14,122</u>	<u>11,927</u>
Total borrowings	<u>80,405</u>	<u>59,827</u>

There is no borrowing denominated in foreign currency.

22. Share Capital

During the financial year, the issued and paid up share capital increased from 332,225,390 to 332,888,190 pursuant to the Employees' Share Scheme.

23. Treasury Shares

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

24. Off Balance Sheet Financial Instruments

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

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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 notice pursuant to Section 218(2) of the Companies Act, 1965 on 25 October 2011 arising from two judgements 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 17 October 2012, HCM has successfully set aside both judgments in default of appearance and has filed its Statement of Defence on 22 October 2012. On 13 June 2013 HCM proceeded to file an application to strike out both abovementioned suits ("striking out application").

Meanwhile, Menuju Asas Sdn Bhd, Mohd Redzuan Mohanan bin Abdullah (t/a Menuju Asas Enterprise) and Mohd Redzuan Mohanan bin Abdullah ("Plaintiffs") have filed its Reply to HCM's Statement of Defence on both abovementioned suits on 17 July 2013 and it was also served on HCM's Solicitor on the same day.

On 13 February 2014, parties attended Court for case management to file and exchange their written submission. The hearing for the striking out application and the Plaintiffs' Amendment Application proceeded on 14 May 2014 and has been fixed for continued hearing on 4 June 2014.

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26. Earnings Per Share

Basic	<u>3 months ended 31.3.2014</u>
Net profit attributable to ordinary shareholders (RM'000)	10,600
Weighted average number of ordinary shares in issue less Treasury Shares ('000)	327,735
Earnings per share (sen)	
- Basic	3.23
- Fully diluted	N/A

The diluted earnings per share were not presented as there is an anti-dilutive effect.

27. Realised and unrealised profit/losses disclosure

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

The breakdown of the retained profits of the Group as at reporting date, into realised and unrealised profits, pursuant to the directive, are as follows:

	As at 31.3.2014 RM'000	As at 31.12.2013 RM'000
Total retained profits		
- Realised	265,352	266,725
- Unrealised	(8,855)	(8,854)
	<u>256,497</u>	<u>257,871</u>
Total share of retained profits of associates	(12)	(12)
Less : Consolidation adjustments	(68,081)	(80,055)
Total Group Retained Profits	<u><u>188,404</u></u>	<u><u>177,804</u></u>

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No 1, issued by the Malaysian Institute of Accountants 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 27 May 2014.