

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

**PART A - EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD
(MFRS 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 MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018. 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 2018.

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 2018, except for the adoption of the new and amendments to accounting standards below that are relevant and effective for accounting periods on or after 1 January 2019 as follows:-

MFRS 16	Lease
IC Interpretation 23	Uncertainty Over Income Tax Treatments
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-Term Interests in Associates and Joint Ventures
Annual Improvements to MFRS Standards 2016-2017 Cycle	

The adoption of the above new and amendments to accounting standards do not have any significant impact on the results of the Group.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

3. Declaration of Audit Qualification

The audited financial statements of the Group for the financial year ended 31 December 2018 was not subject to any audit qualification.

4. Seasonal or Cyclical Factors

The Group's business operations for the quarter ended 30 September 2019 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 financial period ended 30 September 2019.

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	9 months ended	3 months ended	9 months ended
	30.9.2019	30.9.2019	30.9.2019	30.9.2019
OPERATING SEGMENTS	RM'000	RM'000	RM'000	RM'000
Maintenance	102,486	285,714	10,188	25,478
Construction	109,335	255,245	6,808	18,402
Property Development	860	4,292	(1,841)	(5,799)
Engineering Services	3,005	28,445	(3,937)	(3,677)
Trading & Manufacturing	42,228	98,136	517	1,006
Education	12,787	34,547	1,151	(1,215)
Others & Eliminations	(44,238)	(125,012)	(3,072)	(6,711)
GROUP	226,463	581,367	9,814	27,484

8. Valuation of Property, Plant and Equipment

The Group did not carry out any valuation on property, plant and equipment during the current financial period.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

9. Subsequent Events

There was no event subsequent to the end of the current financial period from the date of the issue of this report that are expected to have a material impact on the Group.

10. Changes in Composition of the Group

There was no material changes in the composition of the Group during the financial period ended 30 September 2019.

11. Contingent Liabilities

There were no material contingent liabilities of the Group as at the end of the current review.

12. Capital Commitments

	<u>As at 30.9.2019</u> RM'000
Purchase of property, plant and equipment	<u>1,068</u>

13. Dividend

In respect of the financial year ending 31 December 2019, dividend of 0.6 sen per ordinary share amounting to RM2,921,604 computed based on the issued and paid-up capital as at 30 June 2019 (excluding treasury share) of 486,932,310 ordinary shares was paid on 10 July 2019.

The Board had further declared a dividend of 0.6 sen per ordinary share amounting to approximately RM2.92 million, computed based on the issued and paid-up capital as at 30 September 2019 (excluding treasury shares) of 486,395,010 shares.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019
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

Operating Segments	Quarter Ended		Variance	Year-to-Date Ended		Variance
	30.9.2019	30.9.2018		30.9.2019	30.9.2018	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue						
Maintenance	102,486	151,181	-32%	285,714	372,438	-23%
Construction	109,335	81,135	35%	255,245	176,119	45%
Property Development	860	1,038	-17%	4,292	2,532	70%
Engineering Services	3,005	14,980	-80%	28,445	44,389	-36%
Trading & Manufacturing	42,228	33,537	26%	98,136	111,833	-12%
Education	12,787	14,637	-13%	34,547	39,154	-12%
Others & Eliminations	(44,238)	(61,624)	28%	(125,012)	(111,928)	-12%
GROUP	226,463	234,884		581,367	634,537	
Profit/(Loss) Before Interest and Tax						
Maintenance	10,321	13,476	-23%	25,322	31,322	-19%
Construction	6,467	(4,799)	235%	18,250	(6,186)	395%
Property Development	(1,197)	(481)	-149%	(3,540)	(3,371)	-5%
Engineering Services	(3,907)	2,639	-248%	(3,560)	4,809	-174%
Trading & Manufacturing	831	268	210%	1,750	2,137	-18%
Education	1,441	1,546	-7%	(269)	(1,335)	80%
Others & Eliminations	(2,363)	(1,446)	-63%	(4,650)	(4,045)	-15%
GROUP	11,593	11,203		33,303	23,331	
Profit/(Loss) Before Taxation						
Maintenance	10,188	13,278	-23%	25,478	31,114	-18%
Construction	6,808	(4,773)	243%	18,402	(6,291)	393%
Property Development	(1,841)	(1,601)	-15%	(5,799)	(6,376)	9%
Engineering Services	(3,937)	2,592	-252%	(3,677)	4,692	-178%
Trading & Manufacturing	517	(129)	501%	1,006	1,265	-20%
Education	1,151	1,096	5%	(1,215)	(2,497)	51%
Others & Eliminations	(3,072)	(2,156)	-42%	(6,711)	(5,862)	-14%
GROUP	9,814	8,307		27,484	16,045	

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

a) Current Quarter

Group

Group revenue was RM226.5 million as compared to RM234.9 million in the preceding year corresponding quarter with a decrease of RM8.4 million. The lower revenue was mainly caused by lesser periodic maintenance works in the Maintenance segment and less geotechnical works in the Engineering Services segment.

Despite recording lower revenue, the Group achieved an increase of RM1.5 million profit before tax from RM8.3 million in the preceding year corresponding quarter to RM9.8 million in the current quarter. The increase in profit before tax were contributed from a reduction in finance costs of RM0.7 million and an increase in share of profits of associates of RM0.5 million.

1) Maintenance

Maintenance segment revenue decreased by 32% (RM48.7 million) from RM151.2 million in the preceding year corresponding quarter to RM102.5 million in the current quarter as a result of less periodic maintenance works awarded. In line with the decrease in revenue, the profit before tax also decreased by 23% (RM3.1 million) from RM13.3 million in the preceding year corresponding quarter to RM10.2 million in the current quarter.

2) Construction

Construction segment revenue increased by 35% (RM28.2 million) from RM81.1 million in the preceding year corresponding quarter to RM109.3 million in the current quarter due to the contribution from the Perumahan Penjawat Awam (“PPA”) Phase 2 project. Accordingly, profit before tax stood at RM6.8 million as compared to a loss before tax of RM4.8 million in the previous year corresponding quarter. There was also a reduction in operating expenses of RM1.5 million from RM3.7 million in the preceding year corresponding quarter to RM2.2 million in the current quarter.

3) Property Development

Property Development segment revenue decrease by 17% from RM1.0 million in the preceding year corresponding quarter to RM 0.9 million in the current quarter. This was due to lower occupancy rate in student residence. In line with the decrease in revenue, the loss before tax increased from RM1.6 million in the preceding year corresponding quarter to RM1.8 million in the current quarter.

4) Engineering Services

Engineering Services segment revenue decreased by 80% (RM12.0 million) from RM15.0 million in the preceding year corresponding quarter to RM3.0 million in the current quarter due to less geotechnical works awarded. The substantial decrease in revenue has resulted in a loss before tax of RM3.9 million in the current quarter as compared to profit before tax of RM2.6 million in the preceding year corresponding quarter.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

a) **Current Quarter (Cont'd)**

5) **Trading and Manufacturing**

Trading and Manufacturing segment revenue increased by 26% (RM8.7 million) from RM33.5 million in the preceding year corresponding quarter to RM42.2 million in the current quarter due to higher demand for quarry and bitumen products. Consequently, there was a profit before tax of RM0.5 million as compared to a loss before tax of RM0.1 million in the preceding year corresponding quarter.

6) **Education**

Education segment revenue decreased by 13% (RM1.8 million) from RM14.6 million in the preceding year corresponding quarter to RM12.8 million in the current quarter as a result of a drop in student population. However, the profit before tax improved from RM1.1 million in the preceding year corresponding quarter to RM1.2 million in the current quarter due to a reduction in operating expenses of RM0.4 million from RM4.7 million in the preceding year corresponding quarter to RM4.3 million in the current quarter.

b) **Year-to-Date**

Group

For the financial period ended 30 September 2019, the Group recorded a revenue of RM581.4 million, a decrease of RM53.1 million than the revenue reported in the preceding year corresponding period of RM634.5 million. The decrease in group revenue were mainly attributed to the following:-

- (1) Less periodic maintenance works awarded in the Maintenance segment;
- (2) This affected the revenue of Trading and Manufacturing segment as it is the main supplier to the sub-contractors;
- (3) Less geotechnical works secured by the Engineering segment; and
- (4) Declining student population in the Education segment.

Despite the decrease in revenue, the Group profit before tax improved from RM16.0 million in the preceding year corresponding period to RM27.5 million in the current period. This was mainly due to the right sizing exercise embarked from September 2018, a major factor in the RM22.8 million reduction of operating expenses from RM101.9 million in the preceding year corresponding period to RM79.1 million in the current period.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

b) Year-to-Date (Cont'd)

The analysis of the financial performance by each segment is illustrated as below:

1) Maintenance

Maintenance segment recorded revenue of RM285.7 million as compared to RM372.4 million in the preceding year corresponding period. In line with the decrease in revenue, profit before tax was lower at RM25.5 million as compared to RM31.1 million in the preceding year corresponding period. The main reason for the decrease in both revenue and profit before tax was due to less periodic works awarded during the current financial period.

2) Construction

Construction segment achieved a substantially higher revenue of RM255.2 million as compared to RM176.1 million recorded in the preceding year corresponding period. In tandem with the improved revenue, this segment posted a reversal from a loss before tax of RM6.3 million in the preceding year corresponding period to a profit before tax of RM18.4 million. The improvement in both the revenue and profit before tax were contributed from the higher progress billings of the PPA Phase 2 project.

3) Property Development

Property Development segment recorded revenue of RM4.3 million as compared to RM2.5 million in the preceding year corresponding period due to sale of 3 units of inventories which amounted to RM1.7 million from Block C and D of Phase 2B and rental of its investment properties.

The loss before tax in property development activities of RM1.7 million was due to overheads of RM1.8 million and interest expense of RM0.7 million.

The loss before tax in property investment activities of RM4.1 million was due to low occupancy rate in student residence and interest expense of RM1.6 million. In respect of the mall, depreciation and interest expense have resulted in the loss.

4) Engineering Services

Engineering Services segment revenue decreased by 36% (RM15.9 million) from RM44.4 million in the preceding year corresponding period to RM28.5 million for the current financial period due to less geotechnical works secured. This segment incurred a loss before tax of RM3.7 million as compared to a profit before tax of RM4.7 million in the preceding year corresponding period due to less geotechnical works secured.

5) Trading and Manufacturing segment

Trading and Manufacturing segment revenue decreased by 12% (RM13.7 million) from RM111.8 million in the preceding year corresponding period to RM98.1 million in the current financial period in tandem with the less periodic works undertaken by the Maintenance segment. However, profit before tax during the current financial period decreased marginally to RM1.0 million as compared to RM1.3 million in the preceding year corresponding period due to higher demand for quarry and bitumen products in the current Q3 financial period.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

b) **Year-to-Date (Cont'd)**

6) **Education segment**

Education segment revenue decreased by 12% (RM4.7 million) from RM39.2 million in the preceding year corresponding period to RM34.5 million in the current period due to declining student population. The student population at the end of the financial period decreased to 2,683 as compared with preceding year corresponding period of 3,170. However, the loss before tax recorded at RM1.2 million during the current financial period was an improvement from the loss before tax of RM2.5 million in the preceding year corresponding period. This was mainly due to a reduction in operating expenses from RM15.1 million in the preceding year corresponding period to RM12.3 million in the current financial period.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019
15. Material Changes in the Quarterly Results Compared to the Results of the Preceding Quarter

Operating Segments	Quarter Ended		Difference RM'000
	30.9.2019 RM'000	30.6.2019 RM'000	
Revenue			
Maintenance	102,486	90,134	12,352
Construction	109,335	86,847	22,488
Property Development	860	2,643	(1,783)
Engineering Services	3,005	13,822	(10,817)
Trading & Manufacturing	42,228	35,155	7,073
Education	12,787	10,389	2,398
Others and Eliminations	(44,238)	(50,369)	6,131
GROUP	226,463	188,621	37,842
Profit/(Loss) Before Interest and Tax			
Maintenance	10,321	6,290	4,031
Construction	6,467	7,557	(1,090)
Property Development	(1,197)	(248)	(949)
Engineering Services	(3,907)	(887)	(3,020)
Trading & Manufacturing	831	537	294
Education	1,441	(1,092)	2,533
Others and Eliminations	(2,363)	(464)	(1,899)
GROUP	11,593	11,693	(100)
Profit/(Loss) Before Taxation			
Maintenance	10,188	6,368	3,820
Construction	6,808	7,729	(921)
Property Development	(1,841)	(994)	(847)
Engineering Services	(3,937)	(938)	(2,999)
Trading & Manufacturing	517	290	227
Education	1,151	(1,419)	2,570
Others and Eliminations	(3,072)	(1,119)	(1,953)
GROUP	9,814	9,917	(103)

The Group recorded a revenue of RM226.5 million and profit before tax of RM9.8 million for the current quarter ended 30 September 2019 as compared to the immediate preceding quarter of RM188.6 million and RM9.9 million.

The increase in revenue were due to:-

- (1) Maintenance segment - higher periodic maintenance works awarded in Q3 as compared to Q2;
- (2) Trading and Manufacturing segment – higher demand for quarry and bitumen products;
- (3) Education segment - more student intake for the current quarter as compared to the immediate preceding quarter.

For Construction segment, although it recorded an increase in revenue of RM22.5 million, the profit before tax recorded a decrease of RM0.9 million due to revision of PPA Phase 2 budgeted costing.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

16. Commentary on Prospects

In the previous financial year ended 31 December 2018, the Group completed a comprehensive review of its construction portfolio assets and has taken the initiative to make one-off impairments and write-offs as well as initiated a right sizing exercise. For the period ended 30 September 2019, these efforts had continued to yield positive results during the period.

In the current financial year, Maintenance segment is expected to remain as the main revenue contributor to the Group and supported by the Construction segment where the PPA Phase 2 project is progressing as planned. The Group has recently embarked on its Clean Energy business and expect this Business segment to contribute positively to the earnings and net assets of the Group in the next financial year.

The Group is also actively pursuing other opportunities to improve its Maintenance and Construction segments and other business opportunities to enhance shareholders return.

Barring unforeseen circumstances, the Group is confident that the existing profit momentum will continue and the Group will return to profitability in the current financial year.

17. Profit Forecast or Profit Guarantee

Not applicable.

18. Taxation

Taxation represents current year provision.

The effective tax rate for the current quarter was higher than the statutory tax rate principally due to losses of certain subsidiary companies where no group relief is granted and non-allowable expenses.

19. Profit after Taxation

	<u>Current</u> <u>Year To Date</u> 30.9.2019 RM'000	<u>Corresponding</u> <u>Year To Date</u> 30.9.2018 RM'000
Profit after taxation for the financial period is arrived at after charging / (crediting):		
Depreciation of property, plant and equipment	9,789	10,680
Depreciation of investment properties	1,367	1,365
Impairment losses on receivables	663	163
Interest expense	8,122	8,130
(Gain)/Loss on disposal of property, plant and equipment	(600)	19
Interest income	(1,059)	(1,175)
Writeback of impairment losses on receivables	(283)	-

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019
20. Corporate Proposals

There was no corporate proposal announced but not completed in the current quarter up to 27 November 2019, being the last practicable date from the date of the issue of this report.

21. Borrowings and Debt Securities

	<u>As at 30.9.2019</u>	<u>As at 30.9.2018</u>
	RM'000	RM'000
Secured:		
- Short term borrowings	89,243	83,716
- Long term borrowings	246,576	130,355
- Bank overdrafts	24,973	40,378
Total Secured Borrowings	<u>360,792</u>	<u>254,449</u>
Unsecured:		
- Short term borrowings	25,835	23,706
Total Unsecured Borrowings	<u>25,835</u>	<u>23,706</u>
Total borrowings	<u>386,627</u>	<u>278,155</u>

The total borrowings increased from RM278 million as at 30 September 2018 to RM386.6 million as at 30 September 2019 due to drawdown of RM181.3 million to finance the construction of PPA Phase 2 project. As a result, the net gearing ratio increased to 0.91 times as at 30 September 2019 from 0.63 times as at 30 September 2018.

There is no borrowing denominated in foreign currency. The effective interest rate ranges from 2.56% to 8.07% for the conventional borrowings and from 3.59% to 8.51% for the Islamic borrowings.

22. Trade Receivables

The trade receivables ageing, net of impairment and expected credit loss can be analysed as follows:

	<u>As at 30.9.2019</u>	<u>As at 30.9.2018</u>
	RM'000	RM'000
Less than 6 months	188,521	319,998
6 to 12 months	27,572	49,206
1 to 2 years	48,291	45,136
More than 2 years	7,430	14,633
	<u>271,814</u>	<u>428,973</u>

Normal credit terms ranges from 21 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

23. Material Litigations

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

- (i) **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, our 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, our 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, our 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 our 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, our 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, our 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.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

23. Material Litigations (Cont'd)

- (i) **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, our 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. Our Company terminated the Restated SPA on 4 August 2014 and 14 August 2014.

On 22 September 2014, our Company filed a legal suit against PT ASU and our 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.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

23. Material Litigations (Cont'd)

- (i) **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 2015. 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 2016. 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’s appeal and remitted the case back to the High Court against the 2nd and 3rd Defendants. The 2nd and 3rd Defendants had on 28 February 2018 respectively filed an application by way of motion for leave to appeal to the Federal Court (“2nd and 3rd Defendants’ Motion”). The 2nd and 3rd Defendants’ Motion were dismissed on 25 March 2019. Both the 2nd and 3rd Defendants filed an application to the Court of Appeal for stay of the High Court proceedings pending the hearing of the said 2nd and 3rd Defendants’ Motion. The stay application has been dismissed by the Court of Appeal on 28 January 2019.

The trial dates of the said legal proceeding which was originally fixed from 18 November 2019 to 29 November 2019 have been vacated as a new judge is taking over this matter. This matter is fixed for a case management before a new judge on 11 December 2019.

Meanwhile, the 2nd and 3rd Defendants had on 20 September 2019 filed an application to strike out the KL High Court Suit. The said application is yet to be fixed for hearing.

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 financial year ended 31 December 2014.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

23. Material Litigations (Cont'd)

(ii) 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 our 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 our Company, OKA, when our Company uncovered that OKA has an undisclosed interest in Goldchild.

The status of this suit is as follows:-

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 financial year ended 31 December 2014.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

23. Material Litigations (Cont'd)

(iii) Notice of Adjudication pursuant to Section 8 of the Construction Industry Payment and Adjudication Act 2012 served on HCM Engineering Sdn Bhd (“HCM”)

On 6 July 2018, HCM was served with Adjudication Decision dated 4 July 2018 whereby HCM shall pay Kuasatek Sdn Bhd (“Kuasatek”) the sum of RM2,959,440.44 within 14 days from the date of the Adjudication Decision.

HCM had on 8 August 2018 filed the following applications in the High Court of Malaya at Kuala Lumpur (“KL High Court”):-

- (a) An application by way of Originating Summons to set aside the Adjudication Decision pursuant to Section 15(b) and Section 15(d) of the Construction Industry Payment Adjudication Act 2012 (“the Setting Aside Application”). The Setting Aside Application was dismissed;
- (b) An application by way of Originating Summons to stay the Adjudication Decision pursuant to Section 16 of the Construction Industry Payment Adjudication Act 2012 pending arbitration (“the Stay Application”). The Stay Application was dismissed.

In addition, HCM has served a Notice to Request for Arbitration dated 6 August 2018 to Kuasatek to refer the claim to arbitration pursuant to Article 3, Part II of the Asian International Arbitration Rules 2018.

Meanwhile, Kuasatek had, on 9 August 2018, served on HCM, an application by way of Originating Summons for an order that the Adjudication Decision dated 4 July 2018 be enforced as a judgement against HCM in the KL High Court pursuant to Section 28(1) of the Construction Industry Payment Adjudication Act 2012 (“the Enforcement Application”). The Enforcement Application was allowed. HCM has on 2 November 2018 filed an application for stay of the enforcement allowed by the High Court. At the Hearing on 22 November 2018, the parties have entered into Consent Order based on the following terms:-

- (i) HCM will pay the Adjudicated Sum amounting to RM3,116,428 by 27 November 2018;
- (ii) Kuasatek undertakes not to commence winding up proceedings and any other execution proceedings;
- (iii) Kuasatek undertakes to refund any monies paid under (i), in excess of the sum which the HCM is liable to pay pursuant to the outcome of the current appeal to Court of Appeal by HCM, any arbitration or litigation involving current dispute between the parties.

On 29 October 2018, HCM filed an appeal to the Court of Appeal against the decision of the High Court in dismissing the Setting Aside Application and allowing the Enforcement Application. The hearing date was fixed on 23 September 2019 wherein the Court of Appeal has dismissed the appeals filed by HCM, with costs of RM5,000 each.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

23. Material Litigations (Cont'd)

(iii) Notice of Adjudication pursuant to Section 8 of the Construction Industry Payment and Adjudication Act 2012 served on HCM Engineering Sdn Bhd (“HCM”) (cont'd)

Meanwhile, HCM had on 8 March 2019 filed a legal suit at the Kuala Lumpur High Court against Kuasatek (“Legal Proceeding”).

HCM's claim against Kuasatek is premised on breach of contract by Kuasatek pursuant to a Letter of Appointment for Mechanical and Electrical Works Packages (Contract No: HCM/P48-AFC/LA/C/16/V1(07) dated 15 March 2016, a work package under a project previously awarded to HCM known as “The Design And Built Contract For The Proposed Additional Of A 4 Storey Office Building With Basement Car Parking To The Existing Facilities On Lot No. 38627, Bukit Jalil, Mukim Petaling, Daerah Kuala Lumpur, Malaysia For Asian Football Confederation.” Kuasatek was the mechanical and electrical works sub-contractor for HCM.

The Legal Proceeding is to finally determine the liability of Kuasatek under the contract and for the refund of the Adjudicated Sum paid to Kuasatek pursuant to the Adjudication Decision dated 4 July.2018.

HCM's claims against Kuasatek are as follows:-

- (a) A declaration that the contract dated 13 May 2016 between HCM and Kuasatek is for the sum of RM9,500,000;
- (b) A declaration that Kuasatek has breached the contract;
- (c) A declaration that HCM is allowed to set off the sum of RM288,205 as the costs to rectify the defectives works and/or work done on behalf;
- (d) A declaration that HCM is allowed to set off the sum of RM930,000 as Liquidated Ascertained Damages;
- (e) A declaration that HCM is allowed to withhold the sum of RM475,000 as the performance bond until the issuance of the Certificate of Making Good Defects by Asian Football Confederation;
- (f) Kuasatek shall pay the sum of RM12,889 to HCM;
- (g) Kuasatek shall refund the sum of RM2,968,457 to HCM forthwith being the excess payment paid by HCM to Kuasatek for work done;
- (h) Kuasatek shall refund the sum of RM106,572 to HCM forthwith being the sum paid by HCM to Kuasatek for legal costs, adjudication costs and expenses;
- (i) General damages to be assessed by this Honourable Court;
- (j) Interest at the rate of 5% p.a. on the amount in (f), (g), (h) and (i) above from the date of Judgment until date of full payment; and
- (k) Costs.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

23. Material Litigations (Cont'd)

(iii) Notice of Adjudication pursuant to Section 8 of the Construction Industry Payment and Adjudication Act 2012 served on HCM Engineering Sdn Bhd (“HCM”) (cont'd)

On 16 April 2019, Kuasatek filed its defence and counterclaim against HCM for a sum of RM733,548.

At the Case Management held on 9 May 2019, the Court has directed the Solicitors to seek the parties' instruction whether the parties are amenable to refer the matter for mediation at the Kuala Lumpur Court Mediation Centre.

The status of the Legal Proceeding is as follows:

- (i) It has been fixed for Mediation at the Kuala Lumpur Court Mediation Centre on 7 August 2019 wherein the parties have failed to reach an amicable settlement.
- (ii) The Case Management has been fixed on 26 November 2019 for the parties to inform the Court on the joint appointment of an expert witness to assist the Court on the issue of delay in completion; and
- (iii) The Full Trial has been fixed from 6 April 2020 until 9 April 2020 and on 13 April 2020.

(iv) Notice of Adjudication pursuant to Section 8 of the Construction Industry Payment and Adjudication Act 2012 (“CIPAA”) served by HCM Engineering Sdn Bhd (“HCM”) on Southkey City Sdn Bhd (“SCSB”)

HCM, a wholly owned subsidiary of the Company had on 19 February 2019, filed a Notice of Adjudication under Section 8 of CIPAA under CIPAA 2012 with the Asian International Arbitration Centre (“AIAC”) Kuala Lumpur to commence adjudication proceedings against Southkey City Sdn Bhd (“SCSB”), the Developer of a property development project known as Southkey City, situated at Johor Bahru, Johor Darul Takzim.

The adjudication proceedings were commenced to seek resolution on contractual disputes covering HCM's claims from SCSB for the principal amount of RM10,423,964.55 (inclusive of GST) for construction works done and due to non-payment by SCSB and HCM is also claiming for late payment interest and cost, the amount of which will be determined at a later stage.

The claims were in relation to a Letter of Acceptance of Offer dated 3 December 2015, wherein SCSB engaged HCM as the subcontractor for the Construction, Completion, Testing and Handover of Road and Drainage Phase 1 (Package 1A) in Southkey City for a contract sum of RM7,041,900.

HCM had received Adjudication Decision on 31 May 2019 whereby SCSB shall pay to HCM a net amount of RM832,003.29 of which HCM had received the same on 17 June 2019.

We are in the process of filling our final claim against SCSB.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019
23. Material Litigations (Cont'd)
(v) Notice of Adjudication pursuant to Section 8 of the Construction Industry Payment and Adjudication Act 2012 ("CIPAA") served by HCM Engineering Sdn Bhd ("HCM") on Southkey City Sdn Bhd ("SCSB")

HCM, a wholly owned subsidiary of the Company had filed a Notice of Adjudication under Section 8 of the Construction Industry Payment Adjudication Act 2012 (CIPAA) with the Asian International Arbitration Centre ("AIAC") Kuala Lumpur to commence adjudication proceedings against Southkey City Sdn Bhd ("SCSB"), the developer of a property development project known as Southkey City, situated at Johor Bahru, Johor Darul Takzim.

The adjudication proceedings were commenced to seek resolution on contractual disputes covering HCM's claims from SCSB for the principal amount of RM3,475,129.42 for construction works done and due to non-payment by SCSB. HCM is also claiming for late payment interest and cost, the amount of which will be determined at a later stage.

The claims were in relation to a Letter of Acceptance of Offer dated 3rd December 2015, wherein SCSB engaged HCM as the Main Contractor for the Construction, Completion, Testing, Commissioning and Handover of Water Reticulation Works Phase 1 (Package 1A) for a project known as "Cadangan Membina Dan Menyiapkan Kerja-Kerja Infrastruktur Bagi Pembangunan Bercampur Di Atas Lot PTD 14853 (Lot Lama), Mukim Plentong, Johor Bahru, Johor Darul Takzim Untuk Tetuan Southkey City Sdn Bhd" for a contract sum of RM3,221,998.90.

HCM had received Adjudication Decision on 17 July 2019 whereby SCSB shall pay to HCM an adjudicated amount of RM784,426.64 (including interest and adjudication cost) of which HCM had received the same on 31 July 2019.

We are in the process of filling our final claim against SCSB.

24. Earnings Per Share

	<u>3 months</u> <u>ended</u> 30.9.2019	<u>9 months</u> <u>ended</u> 30.9.2019
Net profit for the financial quarter (RM'000)	959	4,947
Weighted average number of ordinary shares in issue ('000)	488,186	488,186
Basic earnings per share (sen)	<u>0.19</u>	<u>1.00</u>

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.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

25. 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 November 2019.