

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

**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 2019. 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 2019.

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 2019, except for the adoption of the amendments to accounting standards below that are relevant and effective for accounting periods on or after 1 January 2020 as follows: -

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material

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

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

3. Declaration of Audit Qualification

The audited financial statements of the Group for the financial year ended 31 December 2019 was not subject to any audit qualification.

4. Seasonal or Cyclical Factors

The Group's business operations for the quarter ended 31 March 2020 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 31 March 2020.

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	3 months ended	3 months ended	3 months ended
	31.3.2020	31.3.2019	31.3.2020	31.3.2019
OPERATING SEGMENTS	RM'000	RM'000	RM'000	RM'000
Maintenance	87,362	93,094	11,201	8,922
Construction	3,977	59,063	710	3,865
Property Development	621	789	(2,340)	(2,964)
Engineering Services	5,719	11,618	(3,199)	1,199
Trading & Manufacturing	33,754	20,753	(41)	199
Education	9,475	11,371	(1,366)	(947)
Others & Eliminations	(5,728)	(30,405)	(674)	(2,521)
GROUP	135,180	166,283	4,291	7,753

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 31 MARCH 2020

9. Subsequent Events

There were no material events subsequent to the current quarter under review.

10. Changes in Composition of the Group

There were no material changes in the composition of the Group during the financial period ended 31 March 2020.

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 31.3.2020</u>
	RM'000
Purchase of property, plant and equipment	<u>871</u>

13. Dividend

No dividend was declared or paid for the financial period ended 31 March 2020.

In respect of the financial year ended 31 December 2019, a first interim dividend of RM0.6 sen per ordinary share amounting to RM2.92 million 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 second interim dividend of RM0.6 sen per ordinary share amounting to RM2.91 million computed based on the issued and paid-up capital as at 31 December 2019 (excluding treasury share) of 485,013,410 ordinary shares was paid on 10 January 2020.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020
PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APP'X 9B OF THE MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

Operating Segments	Quarter Ended		Variance	Year-to-Date Ended		Variance
	31.3.2020	31.3.2019		31.3.2020	31.3.2019	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue						
Maintenance	87,362	93,094	-6%	87,362	93,094	-6%
Construction	3,977	59,063	-93%	3,977	59,063	-93%
Property Development	621	789	-21%	621	789	-21%
Engineering Services	5,719	11,618	-51%	5,719	11,618	-51%
Trading & Manufacturing	33,754	20,753	63%	33,754	20,753	63%
Education	9,475	11,371	-17%	9,475	11,371	-17%
Others & Eliminations	(5,728)	(30,405)	81%	(5,728)	(30,405)	81%
GROUP	135,180	166,283		135,180	166,283	
Profit/(Loss) Before Interest and Tax						
Maintenance	11,164	8,711	28%	11,164	8,711	28%
Construction	1,053	4,226	-75%	1,053	4,226	-75%
Property Development	(1,579)	(2,095)	25%	(1,579)	(2,095)	25%
Engineering Services	(2,496)	1,234	-302%	(2,496)	1,234	-302%
Trading & Manufacturing	131	382	-66%	131	382	-66%
Education	(1,124)	(618)	-82%	(1,124)	(618)	-82%
Others & Eliminations	(653)	(1,823)	64%	(653)	(1,823)	64%
GROUP	6,496	10,017		6,496	10,017	
Profit/(Loss) Before Taxation						
Maintenance	11,201	8,922	26%	11,201	8,922	26%
Construction	710	3,865	-82%	710	3,865	-82%
Property Development	(2,340)	(2,964)	21%	(2,340)	(2,964)	21%
Engineering Services	(3,199)	1,199	-367%	(3,199)	1,199	-367%
Trading & Manufacturing	(41)	199	-121%	(41)	199	-121%
Education	(1,366)	(947)	-44%	(1,366)	(947)	-44%
Others & Eliminations	(674)	(2,521)	73%	(674)	(2,521)	73%
GROUP	4,291	7,753		4,291	7,753	

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

The Group recorded a total revenue of RM135.2 million in the current quarter which represented a decrease of RM31.1 million or 19% as compared to the preceding year corresponding quarter due to the following:-

- (i) lower progress billing from the Construction segment PPA Phase 2 project as it is near completion stage;
- (ii) lower geotechnical works secured in the Engineering Services segment; and
- (iii) declining student population in the Education segment.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

14. Analysis of Unaudited Performance of the Group by Operating Segment (cont'd)

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

1) Maintenance

The Maintenance segment revenue decreased by 6% (RM5.7 million) from RM93.1 million in the preceding year corresponding quarter to RM87.4 million in the current quarter. This was due to less periodic and routine maintenance works performed in the current quarter. However, PBT has increased by RM2.3 million due to effective cost containment measures.

2) Construction

The Construction segment revenue decreased by 93% (RM55.1 million) from RM59.1 million in the preceding year corresponding quarter to RM4.0 million in the current quarter due to the lower progress billings from the PPA Phase 2 and Sungai projects. The decreased revenue has resulted in reduction of profit before tax by 82% (RM3.2 million) from RM3.9 million in the preceding year corresponding quarter to RM0.7 million in the current quarter.

3) Property Development

The Property Development segment revenue decreased by 21% from RM0.8 million in the preceding year corresponding quarter to RM0.6 million in the current quarter. This was due to lower occupancy rate from rental of its investment properties. The loss before tax has slightly improved from RM3.0 million in the preceding year corresponding quarter to RM2.3 million in the current quarter due to effective cost containment measures.

4) Engineering Services

The Engineering Services segment revenue decreased by 51% (RM5.9 million) from RM11.6 million in the preceding year corresponding quarter to RM5.7 million in the current quarter due to lower geotechnical works secured. The substantial decrease in revenue has resulted in unfavorable result of loss before tax from RM3.2 million in the current quarter as compared to profit before tax of RM1.2 million in the preceding year corresponding quarter.

5) Trading and Manufacturing

The Trading and Manufacturing segment revenue increased by 63% (RM13.0 million) from RM20.8 million in the preceding year corresponding quarter to RM33.8 million in the current quarter due to increased in supply of quarry products by RM12.1 million. This segment posted a reversal from profit before tax of RM0.2 million in the preceding year corresponding quarter loss to before tax of RM0.04 million due to lower profit margin for building materials, cold mix products, project roadside furniture and asphalt heater.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020
14. Analysis of Unaudited Performance of the Group by Operating Segment (cont'd)
6) Education

The Education segment revenue decreased by 17% (RM1.9 million) from RM11.4 million in the preceding year corresponding quarter to RM9.5 million in the current quarter due to declining student population. Loss before tax increased from RM0.9 million in the preceding year corresponding quarter to RM1.4 million in the current quarter due to higher overhead, upkeep expenses and promotion and marketing expenses totaling to RM0.4 million.

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

Operating Segments	Quarter Ended		Difference
	31.3.2020	31.12.2019	
	RM'000	RM'000	RM'000
Revenue			
Maintenance	87,362	149,171	(61,809)
Construction	3,977	37,667	(33,690)
Property Development	621	1,788	(1,167)
Engineering Services	5,719	8,691	(2,972)
Trading & Manufacturing	33,754	50,949	(17,195)
Education	9,475	9,813	(338)
Others and Eliminations	(5,728)	(55,744)	50,016
GROUP	135,180	202,335	(67,155)
Profit/(Loss) Before Interest and Tax			
Maintenance	11,164	14,097	(2,933)
Construction	1,053	(1,716)	2,769
Property Development	(1,579)	3,149	(4,728)
Engineering Services	(2,496)	(7,937)	5,441
Trading & Manufacturing	131	979	(848)
Education	(1,124)	1,727	(2,851)
Others and Eliminations	(653)	(6,903)	6,250
GROUP	6,496	3,396	3,100
Profit/(Loss) Before Taxation			
Maintenance	11,201	4,455	6,746
Construction	710	3,116	(2,406)
Property Development	(2,340)	3,127	(5,467)
Engineering Services	(3,199)	(6,200)	3,001
Trading & Manufacturing	(41)	749	(790)
Education	(1,366)	2,723	(4,089)
Others and Eliminations	(674)	(6,647)	5,973
GROUP	4,291	1,323	2,968

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

The Group revenue for the quarter ended 31 March 2020 decreased by 33% from RM202.3 million in the immediate preceding quarter to RM135.2 million in the current quarter. This was due to the decrease in revenue from the following segments: -

- (1) Maintenance - Less periodic and maintenance works awarded;
- (2) Trading and Manufacturing – Less periodic maintenance works affected the revenue of Trading and Manufacturing segment as it is the main supplier to the sub-contractors of Maintenance segment;
- (3) Engineering - Less geotechnical works secured; and
- (4) Construction - Lower progress billing from the PPA Phase 2 as it is near completion stage.

The decrease in revenue of the Group and loss before tax of Property and Engineering segments in the current quarter has resulted in a loss after tax attributable to owners of the Company of RM2.5 million as compared to profit after tax and non-controlling interest of RM1.3 million reported in the immediate preceding quarter.

16. Commentary on Prospects

In the current financial year, the Maintenance segment is expected to remain as the main revenue contributor to the Group. The Group is also actively pursuing other opportunities to improve its Maintenance, Construction, Trading & Manufacturing segments and other business opportunities to enhance shareholders' return.

During the financial year ended 31 December 2019, the Group had returned to profitability as a result of the right sizing and cost optimisation exercise implemented since the third quarter of 2018. The Group expects 2020 to be a challenging year in line with the overall Malaysian economy which has been severely affected by Covid-19 outbreak and the implementation of the nationwide Movement Control Order ("MCO") since 18 March 2020 to contain the spread of Covid-19. The MCO has resulted in the following:

- (1) delayed physical works and progress billings;
- (2) reduction in student population; and
- (3) fewer projects secured.

The economic outlook for the remaining quarters of this year is expected to be challenging with the rising unemployment, declining economic output and real income and other adverse indicators.

In response to the expected adverse scenario, the Group is implementing various business strategies and countermeasures to mitigate and overcome the adverse financial effect which include further cost optimisation exercise and enhance efforts to improve operational efficiencies.

While the Group expects short term setbacks in some of its business segments, the Group remains confident of its medium and long-term business prospects.

17. Profit Forecast or Profit Guarantee

Not applicable.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

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> <u>31.3.2020</u> RM'000	<u>Corresponding</u> <u>Year To Date</u> <u>31.3.2019</u> RM'000
Profit after taxation for the financial year is arrived at after charging / (crediting):		
Depreciation of property, plant and equipment	2,477	3,358
Depreciation of investment properties	456	445
Depreciation of right-of-use-assets	318	-
Impairment losses on receivables	301	285
Interest expense	2,534	2,886
Property, plant and equipment written off	-	1
Loss on disposal of property, plant and equipment	8	-
Interest income	(417)	(446)
Write back of impairment losses on receivables	(9)	(308)

20. Corporate Proposals

There was no corporate proposal announced but not completed in the current quarter up to 24 June 2020, being the last practicable date from the date of the issue of this report.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020
21. Borrowings and Debt Securities

	<u>As at 31.3.2020</u>	<u>As at 31.3.2019</u>
	RM'000	RM'000
Secured:		
- Short term borrowings	265,977	84,143
- Long term borrowings	74,956	184,778
- Bank overdrafts	40,298	37,008
Total Secured Borrowings	<u>381,231</u>	<u>305,929</u>
Unsecured:		
- Short term borrowings	16,250	15,744
Total Unsecured Borrowings	<u>16,250</u>	<u>15,744</u>
Total borrowings	<u><u>397,481</u></u>	<u><u>321,673</u></u>

The total borrowings increased from RM321.7 million as at 31 March 2019 to RM397.5 million as at 31 March 2020 due to drawdown of RM182.6 million to finance the construction of PPA Phase 2 project, Radisson Park-In Hotel of RM26.6 million and Solar PV System projects of RM9.1 million. As a result, the net gearing ratio increased to 0.96 times as at 31 March 2020 from 0.68 times as at 31 March 2019.

There is no borrowing denominated in foreign currency. The effective interest rate ranges from 3.86% to 7.42% for the conventional borrowings and from 4.13% to 8.35% 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 31.3.2020</u>	<u>As at 31.3.2019</u>
	RM'000	RM'000
Less than 6 months	153,268	168,753
6 to 12 months	35,199	18,354
1 to 2 years	27,598	28,331
More than 2 years	8,552	26,000
	<u>224,617</u>	<u>241,438</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 31 MARCH 2020

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, 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.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

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, 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.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

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 2019, 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 2019 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 2nd and the 3rd Defendants had on 20 September 2019 filed an application to strike out the Kuala Lumpur High Court Suit No.: 22NCC-362-09/2014 (“Strike Out Application”). The Strike Out Application has been fixed for Hearing on 29 July 2020.

The 2nd and the 3rd Defendants have on 22 January 2020 filed an application to stay the trial of the Kuala Lumpur High Court Suit No.: 22NCC-362-09/2014 (“Stay Application”). The Stay Application has been struck out by the Kuala Lumpur High Court with no order as to costs.

The Company had on 13 May 2020 filed 3 applications for leave to appeal to the Federal Court (“Federal Court Applications”) against the judgment of the Court of Appeal dated 6 March 2020 (appeals in relation to Bankers’ Books (Evidence) Act 1949). The said applications are fixed for Case Management on 28 July 2020 and for Hearing on 25 August 2020 at the Federal Court.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

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)**

In view of the Federal Court applications, the said trial dates which has been fixed on 18, 19, 21, 24 to 28 August 2020 and 1, 2 and 4 September 2020 for the legal proceedings against the 2nd and the 3rd Defendants is now vacated (postponed) to ensure that the Federal Court applications are disposed of first.

The next case management of the KL High Court is fixed before the High Court Judge on 29 July 2020.

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.

- (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 2018.

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.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

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 (cont'd)

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 2018.

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.

(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.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

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, 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 is fixed on 17 June 2019.

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;

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

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)

- (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.

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

KL High Court had earlier fixed the following dates in respect of the legal proceeding filed by HCM against Kuasatek on 11 March 2019, claiming the sum of RM3,087,917.74 for breach of contract by Kuasatek:-

1. It had been fixed for mediation at the Kuala Lumpur Court Mediation Centre on 25 March 2020.
2. It has been fixed for case management on 31 March 2020.
3. It has been fixed for full trial from 6 April 2020 until 9 April 2020 and on 13 April 2020.

However, due to the Movement Control Order (MCO imposed by the Government of Malaysia, all dates as set out above have been vacated (postponed)). The KL High Court has fixed the above matter for Case Management on 22 June 2020.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

23. Material Litigations (Cont'd)

(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 3rd December 2015, wherein SCSB engaged HCM as the subcontractor for the Construction, Completion, Testing and Handover of Road and Drainage 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 RM7,041,900.

HCM had received Adjudication Decision whereby SCSB shall pay HCM a net amount of RM832,003 of which HCM had received the same on 17 June 2019.

HCM had, on 16 December 2019, filed a fresh Notice of Adjudication under Section 8 of CIPAA 2012 with the AIAC to commence adjudication proceedings against SCSB to claim the remainder sum of RM6,579,217 from SCSB 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.

HCM had received adjudication decision on 12 March 2020 whereby the claim has been dismissed with costs of RM30,000.00.

(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.

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

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") (cont'd)

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.

On 19 July 2019, HCM had received Adjudication Decision whereby SCSB shall pay HCM an adjudicated amount of RM784,427 (including interest and adjudication cost) of which HCM had received the same on 31 July 2019.

24. Earnings Per Share

The basic earnings per share of the Group is calculated by dividing the profit attributable to the owners of the Company over the weighted average number of ordinary shares in issue, excluding treasury shares.

	<u>3 months</u> <u>ended</u> 31.3.2020	<u>3 months</u> <u>ended</u> 31.3.2019
Net (loss)/profit for the financial quarter (RM'000)	(2,494)	1,229
Weighted average number of ordinary shares in issue ('000)	484,268	490,825
Adjustment for assumed exercise of warrants ('000)	106,051	106,051
Adjusted weighted average number of ordinary shares issued and issuable ('000)	<u>590,319</u>	<u>596,876</u>
Basic (loss)/earnings per share (sen)	<u>(0.52)</u>	<u>0.25</u>
Fully diluted (loss)/earnings per share (sen)	<u>(0.42)</u>	<u>0.20</u>

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 24 June 2020.