PROTASCO BERHAD (548078 H)

INTERIM REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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.

PROTASCO BERHAD (548078 H)

INTERIM REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 year ended 31 December 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 year ended 31 December 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 31.12.2020	12 months ended 31.12.2020	3 months ended 31.12.2020	12 months ended 31.12.2020
OPERATING SEGMENTS	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Maintenance	227,458	634,688	18,206	60,790
Construction	11,076	30,654	(7,015)	(3,026)
Property Development	1,748	22,848	(7,528)	(17,608)
Engineering Services	13,124	36,378	(11,554)	(20,221)
Trading & Manufacturing	74,254	280,395	90	1,869
Education	7,702	35,316	(1,931)	(3,375)
Clean Energy	344	2,578	(199)	(814)
Others & Eliminations	(17,258)	(40,752)	(1,756)	(3,558)
GROUP	318,448	1,002,105	(11,687)	14,057

8. Valuation of Property, Plant and Equipment

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

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 year ended 31 December 2020.

11. Contingent Liabilities

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

12. Capital Commitments

	As at 31.12.2020 RM'000
Purchase of property, plant and equipment	173

13. Dividend

No dividend was declared or paid for the financial year ended 31 December 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.

PROTASCO BERHAD (548078 H)

INTERIM REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

Operating Segments	Quarter Ended		Variance	Year-to-Date Ended		Variance
	31.12.2020	31.12.2019		31.12.2020	31.12.2019	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue						
Maintenance	227,458	149,171	52%	634,688	434,885	46%
Construction	11,076	37,667	-71%	30,654	292,912	-90%
Property and Hospitality	1,748	3,624	-52%	22,848	7,916	189%
Engineering Services	13,124	8,691	51%	36,378	37,136	-2%
Trading & Manufacturing	74,254	50,949	46%	280,395	149,085	88%
Education	7,702	9,813	-22%	35,316	44,360	-20%
Clean Energy	344	160	115%	2,578	337	665%
Others & Eliminations	(17,258)	(57,739)	70%	(40,752)	(182,928)	78%
GROUP	318,448	202,336		1,002,105	783,703	
Profit/(Loss) Before Interest and Tax						
Maintenance	16,581	12,860	29%	58,167	38,182	52%
Construction	(6,430)	(776)	-729%	(1,591)	17,474	-109%
Property and Hospitality	(6,143)	880	-798%	(14,160)	(3,328)	-325%
Engineering Services	(11,165)	(7,900)	-41%	(18,141)	(11,460)	-58%
Trading & Manufacturing	496	1,517	-67%	3,024	3,267	-7%
Education	(1,754)	2,002	-188%	(2,562)	1,733	-248%
Clean Enegy	93	(196)	147%	25	(578)	104%
Others & Eliminations	(1,634)	(2,748)	41%	(3,250)	(6,348)	49%
GROUP	(9,956)	5,639		21,512	38,942	
Proft/(Loss) Before Taxation						
Maintenance	18,206	14,097	29%	60,790	39,575	54%
Construction	(7,015)	(1,716)	-309%	(3,026)	16,686	-118%
Property and Hospitality	(7,528)	175	-4402%	(17,608)	(6,314)	-179%
Engineering Services	(11,554)	(7,937)	-46%	(20,221)	(11,614)	-74%
Trading & Manufacturing	90	979	-91%	1,869	1,985	-6%
Education	(1,931)	1,727	-212%	(3,375)	512	-759%
Clean Energy	(199)	(478)	58%	(814)	(860)	5%
Others & Eliminations	(1,756)	(3,450)	49%	(3,558)	(9,089)	61%
GROUP	(11,687)	3,397		14,057	30,881	

a) Current Quarter

Group

The Group revenue increased by RM116.1 million from RM202.3 million to RM318.4 million due to the following: -

(i) higher periodic maintenance works awarded to the Maintenance segment;

(ii) higher geotechnical forensic, pavement and construction works secured in the Engineering Services segment;

(iii) higher revenue from the Trading segment due to increase in periodic works undertaken by the Maintenance segment;

(iv) higher revenue from the Clean Energy segment due to increase in solar panel installation; and

(v) commencement of business operations of the Hotel segment on 1 October 2020.

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

a) Current Quarter (cont'd)

Despite the substantial increase in revenue, the Group has incurred loss before tax of RM11.7 million as compared to profit before tax of RM3.4 million due to the poor performance of the Construction, Property, Engineering and Education segments.

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

1) **Maintenance**
Revenue increased by 52% (RM78.3 million) from RM149.2 million to RM227.5 million due to more periodic maintenance works performed in the current quarter. In line with the increase in revenue, PBT increased by 29% (RM4.0 million) from RM14.1 million to RM18.2 million.

2) **Construction**
Revenue decreased from RM37.7 million to RM11.1 million due to completion of PPA Phase 2 and Park Inn Hotel projects. The increase in loss before tax from RM1.7 million to RM7.0 million were due to decrease in revenue and impairments of receivables.

3) **Property and Hospitality**
Revenue decreased from RM3.6 million to RM1.8 million due to no disposal of unsold inventory units and the revenue is mainly derived from rental of its investment properties and Hotel business operations. Loss before tax was RM7.5 million as compared to profit before tax of RM0.2 million in the previous corresponding quarter due to decrease in revenue, charged out of property development cost in one of the subsidiaries, impairments of receivables and deferment of commencement of Park Inn by Radisson Hotel from 1 April 2020 to 1 October 2020.

4) **Engineering Services**
Revenue increased from RM8.7 million to RM13.1 million due to higher geotechnical forensic, pavement works performed and construction works secured. The loss before tax increased from RM7.9 million to RM11.6 million due to impairments of receivables in the current quarter.

5) **Trading and Manufacturing**
Revenue increased by 46% (RM23.3 million) from RM50.9 million to RM74.2 million due to increase in periodic works undertaken by the Maintenance segment, whereby this segment is the main supplier to the sub-contractors. Despite the substantial increase in revenue, the profit before tax decreased from RM1.0 million to RM90K due to impairments of receivables in the current quarter.

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

a) Current Quarter (cont'd)

6) Education
Revenue decreased by 21% (RM2.1 million) from RM9.8 million to RM7.7 million due to declining student population as a result of the enforcement of Movement Control Order (MCO) during the Covid-19 pandemic. The decreased in revenue and impairment of receivables had resulted in the reversal of profit before tax of RM1.7 million in the previous corresponding quarter to a loss before tax of RM1.9 million in the current quarter.

7) Clean Energy
Revenue increased by >100% (RM0.2 million) from RM0.1 million to RM0.3 million due to the recognition of solar panel installation works in current period. In line with the increased in revenue, the loss before tax has decreased from RM478K to RM199K.

b) Year-to-Date

The Group recorded a revenue of RM1,002.1 million, an increase of RM218.4 million as compared to RM783.7 million. The increase in revenue was mainly attributed to the followings:

(i) Higher periodic works awarded to the Maintenance segment;
(ii) Higher revenue from the Property segment due to disposal of 3 pieces of commercial lands in one of the subsidiaries and sale of one (1) unit inventory from Block C of Phase 2A Unipark Suria;
(iii) Higher revenue from the Trading segment due to increase in periodic works undertaken by the Maintenance segment;
(iv) Higher revenue from the Energy segment due to increase in solar panel installation works; and
(v) Revenue recognition for the Hotel and Hospitality segment as Park Inn by Radisson commenced its business operations on 1 October 2020.

Despite increase in revenue, the Group profit before tax decreased from RM30.9 million to RM14.1 million mainly due to the charge out of property development costs, impairments on receivables from the Property, Engineering, Education and Trading segments and provision of unremedied defects from the Engineering segment.

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

1) Maintenance
Revenue was RM634.7 million as compared to RM434.9 million due to higher periodic works awarded. In line with the increase in revenue, profit before tax increased to RM60.8 million as compared to RM39.6 million.

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

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

2) Construction
Revenue was RM30.7 million as compared to RM292.9 million due to the completion of PPAM Phase 2 and Park Inn by Radisson Hotel construction. The decrease in revenue has resulted in the reversal of profit before tax from RM16.7 million in the previous financial year to a loss before tax of RM3.0 million in the current financial year.

3) Property and Hospitality
Revenue was RM22.9 million as compared to RM7.9 million due to disposal of 3 pieces of commercial lands in one of its subsidiaries, sale of one (1) unit inventory from Block C of Phase 2A Unipark Suria and Park Inn by Radisson Hotel has commenced its business operations on 1 October 2020.

The loss before tax increased from RM6.3 million to RM17.6 million mainly due to charge out of property development costs for two (2) property development projects, impairments of receivables coupled with higher operational and administrative expenses incurred in property management and Park Inn by Radisson Hotel.

4) Engineering Services
Revenue decreased marginally by 2% from RM37.1 million to RM36.4 million due to lesser geo technical works performed.

The loss before tax increased from RM11.6 million to RM20.2 million due to impairments of receivables and provision of unremedied defects.

5) Trading and Manufacturing
Revenue increased by 88% (RM131.3 million) from RM149.1 million to RM280.4 million due to higher periodic works undertaken by the Maintenance segment during the financial year, whereby this segment is the main supplier to the sub-contractors for bitumen, building and quarry materials.

The profit before tax decreased by 6% (RM0.2 million) from RM2.0 million to RM1.8 million due to impairments of receivables.

6) Education
Revenue decreased by 20% (RM9.1 million) from RM44.4 million to RM35.3 million due to significant drop in student population.

The loss before tax was RM3.4 million in the current financial year as compared to a profit before tax of RM0.5 million in the previous financial year due to decrease in revenue and impairment of receivables.

7) Clean Energy
Revenue increased by >100% (RM2.3 million) from RM0.3 million to RM2.6 million due to the recognition of solar panel installation works.

In line with the increased in revenue, the loss before tax has decreased from RM0.9 million to RM0.8 million.

PROTASCO BERHAD (548078 H)

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

Operating Segments	Quarter Ended		
	31.12.2020	30.9.2020	Difference
	RM'000	RM'000	RM'000
Revenue			
Maintenance	227,458	226,029	1,429
Construction	11,076	339	10,737
Property and Hospitality	1,748	18,653	(16,905)
Engineering Services	13,124	11,077	2,047
Trading & Manufacturing	74,254	118,350	(44,096)
Education	7,702	10,042	(2,340)
Clean Energy	344	680	(336)
Others and Eliminations	(17,258)	(8,634)	(8,624)
GROUP	318,448	376,536	(58,088)
Profit/(Loss) Before Interest and Tax			
Maintenance	16,581	21,701	(5,120)
Construction	(6,430)	(383)	(6,047)
Property and Hospitality	(6,143)	(416)	(5,727)
Engineering Services	(11,165)	(2,946)	(8,219)
Trading & Manufacturing	496	1,126	(630)
Education	(1,754)	664	(2,418)
Clean Energy	93	226	(133)
Others and Eliminations	(1,634)	(550)	(1,084)
GROUP	(9,956)	19,422	(29,378)
Profit/(Loss) Before Taxation			
Maintenance	18,206	21,854	(3,648)
Construction	(7,015)	(645)	(6,370)
Property and Hospitality	(7,528)	(1,171)	(6,357)
Engineering Services	(11,554)	(3,468)	(8,086)
Trading & Manufacturing	90	752	(662)
Education	(1,931)	475	(2,406)
Clean Energy	(199)	(60)	(139)
Others and Eliminations	(1,756)	(742)	(1,014)
GROUP	(11,687)	16,995	(28,682)

The Group revenue decreased from RM376.5 million to RM318.4 million due to the decrease in revenue from the following segments: -

(1) Property: Lower revenue due to no disposal of unsold inventory units and the revenue is mainly derived from rental of its investment properties;
(2) Trading and Manufacturing: Lower demand for bitumen, building and quarry materials due to lower routine maintenance works from the Maintenance segment;
(3) Education: Lower student enrolment for new intake in the current quarter; and
(4) Energy: Lower solar panel installation works performed.

15. Material Changes in the Quarterly Results Compared to the Results of the Preceding Quarter (cont'd)

The decrease in revenue by RM58.1 million is one of the factors that caused the reversal of profit before tax of RM17.0 million in the immediate preceding quarter to a loss before tax of RM11.7 million in the current quarter.

16. Commentary on Prospects

During the financial year ended 31 December 2019, the Group had returned to profitability mainly as a result of the right sizing and cost optimisation exercise implemented since the third quarter of 2018.

The Covid-19 cases have increased exponentially since the Sabah state election in September 2020. This had led to the re-enforcement of the Conditional Movement Control Order (CMCO) in most of the states in Malaysia and subsequent MCO 2.0 in January 2021.

The effects of the pandemic continue to affect the economy and impact the Property, Construction, Engineering and Education businesses. With these various adversities and challenging business landscape, the Group's operations and financial performances were affected as a result of:

(i) delayed physical works and progress billings;
(ii) low student population; and
(iii) fewer projects secured.

In order to ensure the Group's sustainability in facing these challenges, the Board has implemented various countermeasures to mitigate the negative impact on profitability and preserve cash. The Group will continue to review its business strategies to ensure that our business structures, processes and costings are in consonant to a post Covid-19 environment.

The Group has taken a prudent approach in assessing the recoverability of its receivables and disputed amounts and has accordingly provided the necessary impairments.

The Board will continue to exercise caution in managing the Group's businesses for the next financial year. While the Group expects short term setbacks in some of its business segments, the Board remain positive and confident of the medium and the long-term business prospects and the Group is actively and diligently pursuing various business opportunities to enhance shareholders' return.

Amid the MCO 2.0 and subsequent CMCO, we will continue to ensure the safety of our people and business associates by observing the Standard Operating Procedures (SOPs) and provide support to the communities.

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

	Current Year To Date 31.12.2020 RM'000	Corresponding Year To Date 31.12.2019 RM'000
(Loss)/Profit after taxation for the financial year is arrived at after charging / (crediting):		
Depreciation of property, plant and equipment	10,857	11,915
Depreciation of investment properties	1,823	1,820
Depreciation of right-of-use assets	4,669	3,218
Impairment losses on receivables	23,462	7,760
Interest expense	10,400	19,962
Gain on disposal of property, plant and equipment	(66)	(329)
Interest income	(1,726)	(1,806)
Reversal of impairment losses on:		
-Amount owing by associate	-	(57)
-Trade receivables	(2,642)	(6,347)
-Other receivables	-	(661)

20. Corporate Proposals

There was no corporate proposal announced but not completed in the current quarter up to 29 March 2021, being the last practicable date from the date of the issue of this report.

21. Borrowings and Debt Securities

	As at 31.12.2020	As at 31.12.2019
	RM'000	RM'000
Secured:		
- Short term borrowings	132,896	303,371
- Long term borrowings	88,717	70,062
- Bank overdrafts	26,692	25,928
Total borrowings	248,305	399,361

The total borrowings decreased from RM399.4 million as at 31 December 2019 to RM248.3 million as at 31 December 2020 due to loan repayment for PPA Phase 2 project, and off-set by credit line facility utilisation of RM33.1 million and Solar PV System projects of RM23.4 million. As a result, the net gearing ratio decreased to -0.01 times as at 31 December 2020 from 0.59 times as at 31 December 2019.

There is no borrowing denominated in foreign currency. The effective interest rate ranges from 3.27% to 7.17% for the conventional borrowings and from 3.83% 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:

	As at 31.12.2020	As at 31.12.2019
	RM'000	RM'000
Less than 6 months	190,598	117,792
6 to 12 months	12,702	20,595
1 to 2 years	11,961	34,500
More than 2 years	-	18,987
	215,261	191,874

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

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, 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 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.

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 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: -

<u>Against PT ASU</u>

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.

<u>Against the 2nd and 3rd Defendants</u>

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.

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 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 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 27 August 2020. The Strike Out Application was heard on 27 August 2020 and dismissed by the High Court Judge on 10 September 2020 with costs of RM25,000.00 to be paid by the 2nd and the 3rd Defendants to the Company. The 2nd and 3rd Defendants had filed an appeal at the Court of Appeal against the decision of the High Court on 10 September 2020 dismissing the Strike Out Application. The appeal has been fixed for hearing on 23 June 2021

The High Court Judge has fixed the Kuala Lumpur High Court Suit No.: 22NCC-362-09/2014 for full trial on 7, 24, 25 and 27 May 2021, on 4, 8, 25 and 28 June 2021 and on 19 July 2021.

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 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. The Federal Court Applications were granted by the Federal Court on 25 August 2020. As such, the Company has filed its appeal at the Federal Court. The appeal to the Federal Court was fixed for hearing on 5 January 2021. The Federal Court has reserved their decision to a date to be determined and informed by the Registry of the Federal Court.

On 19 January 2021, the 2nd and 3rd Defendants had filed an application to stay the proceedings at the Kuala Lumpur High Court pending the disposal of their appeal at the Court of Appeal. The said application for a stay of proceedings which was fixed for hearing before the learned High Court Judge on 2 March 2021 has been dismissed with costs of RM8,500 to be paid by the 2nd and 3rd Defendant to the Company.

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.

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)

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.

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;

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)

(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 Orginating 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.

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)

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.

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

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)

KL High Court had 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 has been fixed for case management on 3 September 2020.
2. It has been fixed for full trial from 5 October 2020 until 9 October 2020.

The trial has been partially completed on the 5th, 6th and 7th October 2020. The KL High Court has fixed 13 January 2021 for continued trial. Due to the Movement Control Order imposed by the Government of Malaysia, the continued trial which was fixed on 13 January 2021 has been vacated. The KL High Court has further fixed 17 and 18 May 2021 for continued trial.

(iv) High Court of Malaya at Penang ("Penang High Court") Suit No: PA-22NCVC-155-09/2020 between Tenaga Nasional Berhad ("TNB") as Plaintiff against Kumpulan Ikram Sdn Bhd ("KISB") as the Defendant

TNB had, vide an agreement dated 13 July 2015 ("TNB Agreement"), appointed KISB to carry out construction works known as "The Construction and Commission of Retention Pond at Gelugor Power Station" ("Project") whereby the scope of works includes amongst others designing flow system improvements, drainage system expansion and replacing U-drain size from 600mm to 750mm in Loji Kuala Gelugor ("Works").

KISB had in turn, vide a Letter of Award dated 26 May 2015 ("LOA"), appointed Qemudi Nekad Resources as sub-contractor ("Sub-Contractor"):

i) to identify the utilities within the Project site and further prepared a utility mapping to be approved by TNB; and
ii) to carry out the entire Works.

TNB alleged that upon KISB carried out the drain breaking for the existing U-drain, the workers of KISB had carried out the picking up of the surplus and remnants debris of the broken U-drain left in the drain by using a backhoe ("Picking up the U-drain surplus and remnants works").

TNB further alleged that due to the picking up the U-drain surplus and remnants works by KISB, the same had caused the TNB's cable 2 ("TNB's Cable") destroyed. It was alleged that the bucket of the backhoe had caused damage on TNB's Cable. Subsequent to that, TNB lodged a police report on the said damage. TNB then terminated KISB's permit to work certificate and issued a stop-work order on KISB on the reason that the damage caused by KISB is a breach under Section 37(11) (b) and/or 37(12) (a) of the Electricity Supply Act 1990 ("Act").

23. Material Litigations (Cont'd)

(iv) High Court of Malaya at Penang ("Penang High Court") Suit No: PA-22NCVC-155-09/2020 between Tenaga Nasional Berhad ("TNB") as Plaintiff against Kumpulan Ikram Sdn Bhd ("KISB") as the Defendant (Cont'd)

TNB had managed to recover RM150,000.00 only from the Construction All Risks Insurance taken by KISB for this Project from TNB's panel insurance company, QBE Insurance (Malaysia) Berhad. The policy limit is RM150,000.00 only. The said insurance does not have "principal existing property" cover which will protect the insured against loss or damage to property located on or surrounding the site belonging to or held in care, custody or control by the insured.

In view thereof, TNB filed a suit against KISB pursuant to Section 41(1) of the Act under the strict liability tort on the reason that KISB's workers have neglected during the carrying out of the picking up the U-drain surplus and remnants works and caused damage on the TNB's cable. The damage on the TNB's Cable had caused the followings: -

i) a power outage to TNB's customers hence, TNB suffered loss of income during the period of the power outage; and
ii) rectification cost incurred to rectify the damage and replace the new cable.

TNB further alleged that TNB had issued a Notice of Claim for damages by way of letter dated 23 March 2016 and also a Letter of Demand dated 11 January 2018 to KISB to inform on the damage and to claim on the rectification cost amounting to RM6,799,961.83.

TNB's claims are as follows: -

1) General damages to be assessed;
2) Special damages amounting to RM6,799,961.83;
3) General damages to be assessed together with interest of 5% per annum calculated from the date of the filing of the writ until full settlement;
4) Economic damages to be assessed together with interest of 5% per annum calculated from the date of the filing of the writ until full settlement;
5) Interest of 5% per annum on the sum of RM6,799,961.83 calculated from the date of the filing of the writ until full settlement;
6) Aggravated and exemplary damages;
7) Cost; and
8) Any other relief court deems fit.

KISB had filed its Defence on 2 October 2020. TNB had filed its Reply on 9 November 2020. The Suit has been fixed for Mediation on 6 April 2021. The Court had also fixed 9 April 2021 as Case Management date to update the Court on the outcome of the said Mediation.

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.

	3 months ended 31.12.2020	12 months ended 31.12.2020
Net loss for the financial quarter / year (RM'000)	(20,082)	(24,730)
Weighted average number of ordinary shares in issue ('000)	481,740	482,369
Adjustment for assumed exercise of warrants ('000)	106,051	106,051
Adjusted weighted average number of ordinary shares issued and issuable ('000)	587,791	588,420
Basic loss per share (sen)	(4.17)	(5.13)
Fully diluted loss per share (sen)	(3.42)	(4.20)

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 29 March 2021.