

INTERIM REPORT FOR THE FINANCIAL PERIOD 30 SEPTEMBER 2021

**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 2020. 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 2020.

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 2020, except for the adoption of the amendments to accounting standards below that are relevant and effective for accounting periods on or after 1 January 2021 as follows: -

Amendments to MFRS 9, MFRS 139,
MFRS 7, MFRS 4 and MFRS 16 Interest Rate Benchmark Reform Phase 2

Amendments to MFRS 16 Covid-16 Related Rent Concessions beyond 30 June 2021

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

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3. Declaration of Audit Qualification

The audited financial statements of the Group for the financial year ended 31 December 2020 was not subject to any audit qualification.

4. Seasonal or Cyclical Factors

The Group's business operations for the quarter ended 30 September 2021 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 2021.

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
	30.9.2021	30.9.2021	30.9.2021	30.9.2021
OPERATING SEGMENTS	RM'000	RM'000	RM'000	RM'000
Maintenance	189,718	449,135	16,965	38,377
Construction	3,257	4,105	401	1,111
Property Development	782	2,669	(1,972)	(5,532)
Hotel and Hospitality	1,737	6,679	(24)	423
Engineering & Consultancy	7,602	17,983	(1,058)	(1,229)
Trading & Manufacturing	100,035	214,686	1,321	2,487
Education	8,686	22,494	29	(3,004)
Clean Energy	3,137	5,287	188	(302)
Others & Eliminations	(6,586)	(16,203)	(193)	(596)
GROUP	308,368	706,835	15,657	31,735

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8. Valuation of Property, Plant and Equipment

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

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 for the current financial quarter under review.

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 30.9.2021</u> RM'000
Purchase of property, plant and equipment	<u>1,337</u>

13. Dividend

No dividend was declared or paid for the financial period ended 30 September 2021.

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

Operating Segments	Quarter Ended			Year-to-Date Ended		
	30.9.2021	30.9.2020	Variance	30.9.2021	30.9.2020	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue						
Maintenance	189,718	226,029	-16%	449,135	407,230	10%
Construction	3,257	339	861%	4,105	19,578	-79%
Property Development	782	18,653	-96%	2,669	21,100	-87%
Hotel and Hospitality	1,737	-	100%	6,679	-	100%
Engineering & Consultancy	7,602	11,077	-31%	17,983	23,254	-23%
Trading & Manufacturing	100,035	118,350	-15%	214,686	206,141	4%
Education	8,686	10,042	-14%	22,494	27,614	-19%
Clean Energy	3,137	680	361%	5,287	2,234	137%
Others & Eliminations	(6,586)	(8,634)	24%	(16,203)	(23,494)	31%
GROUP	308,368	376,536		706,835	683,657	
Profit/(Loss) Before Interest and Tax						
Maintenance	16,936	21,701	-22%	37,665	41,586	-9%
Construction	898	(383)	334%	2,572	4,839	-47%
Property Development	(1,513)	35	-4423%	(4,124)	(6,388)	35%
Hotel and Hospitality	247	(451)	155%	1,259	(1,629)	177%
Engineering & Consultancy	(706)	(2,946)	76%	(85)	(6,976)	99%
Trading & Manufacturing	1,555	1,126	38%	2,873	2,528	14%
Education	176	664	-73%	(2,548)	(808)	-215%
Clean Energy	563	226	149%	802	(68)	1279%
Others & Eliminations	(126)	(550)	77%	(321)	(1,616)	80%
GROUP	18,030	19,422		38,093	31,468	
Profit/(Loss) Before Taxation						
Maintenance	16,965	21,854	-22%	38,377	42,584	-10%
Construction	401	(645)	162%	1,111	3,989	-72%
Property Development	(1,972)	(554)	-256%	(5,532)	(8,265)	33%
Hotel and Hospitality	(24)	(617)	96%	423	(1,815)	123%
Engineering & Consultancy	(1,058)	(3,468)	69%	(1,229)	(8,667)	86%
Trading & Manufacturing	1,321	752	76%	2,487	1,779	40%
Education	29	475	-94%	(3,004)	(1,444)	-108%
Clean Energy	188	(60)	413%	(302)	(615)	51%
Others & Eliminations	(193)	(742)	74%	(596)	(1,802)	67%
GROUP	15,657	16,995		31,735	25,744	

a) Current Quarter
Group

The Group revenue decreased by RM68.1 million from RM376.5 million to RM308.4 million mainly due to the following: -

- (i) lower periodic and routine maintenance works awarded to the Maintenance segment;
- (ii) lower revenue from the Property segment due to no disposal from unsold inventory, reduction in rental income of investment properties and one-off disposal of vacant land in Q3 2020;
- (iii) lower revenue from the Trading segment due to decrease in periodic and routine works undertaken by the Maintenance segment;
- (iv) lower pavement, construction, structural and certification works secured from the Engineering segment; and
- (v) lower student population from the Education segment.

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

a) Current Quarter (cont'd)

In line with the decreased in revenue, the Group profit before tax decreased by RM1.3 million from RM17.0 million to RM15.7 million in current quarter due to the lower revenue from the Maintenance, Property and Education segments.

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

1) Maintenance

Revenue decreased by 16% (RM36.3 million) from RM226.0 million to RM189.7 million due to lower periodic and routine maintenance works performed in the current quarter. In line with the decreased in revenue, the profit before tax decreased by 22% (RM4.9 million) from RM21.9 million to RM17.0 million.

2) Construction

Revenue increased from RM0.3 million to RM3.3 million due to the recognition of completed projects. The increased in revenue has resulted in the reversal from loss before tax of RM0.6 million to profit before tax of RM0.4 million.

3) Property Development

Revenue decreased by 96% (RM17.9 million) from RM18.7 million to RM0.8 million mainly due to one-off disposal of vacant land in Q3 2020, no disposal from unsold inventory, lower income from property management and reduction in rental income from investment properties as a result of low occupancy rate of student accommodation. In line with the decreased in revenue, the loss before tax increase by RM1.4 million from RM0.6 million to RM2.0 million.

4) Hotel and Hospitality

Revenue achieved was RM1.7 million due to encouraging occupancy rate in the current quarter. In line with the increased in revenue, the loss before tax decrease from RM0.6 million to RM0.02 million.

5) Engineering & Consultancy

Revenue decreased by 31% (RM3.5 million) from RM11.1 million to RM7.6 million due to lower pavement, structural, certification and construction works secured. Despite the decreased in revenue, the loss before tax decreased by RM2.4 million from RM3.5 million to RM1.1 million mainly due to the decrease in operating expenses.

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

a) Current Quarter (cont'd)

6) Trading and Manufacturing

Revenue decreased by 15% (RM18.4 million) from RM118.4 million to RM100.0 million mainly due to the decrease in supply of quarry, building materials and bitumen products. Despite the decrease in revenue, the profit before tax increase from RM0.8 million to RM1.3 million due to the decrease in operating and finance expenses.

7) Education

Revenue decreased by 14% (RM1.3 million) from RM10.0 million to RM8.7 million due to lower student population as a result of reduction in both foreign and local student enrolments during the Movement Control Order (MCO) by States and MCO 3.0. Consequently, the profit before tax decreased from RM0.5 million to RM30K.

8) Clean Energy

Revenue increased significantly from RM0.7 million to RM3.1 million due to revenue recognised from billings for the power generation and supply of energy from the Melaka solar plant and solar panel installation works in the current quarter. The increase in revenue has resulted in the reversal from loss before tax of RM60K to profit before tax of RM0.2 million.

b) Year-to-Date

The Group recorded a revenue of RM706.8 million, an increase of RM23.1 million as compared to RM683.7 million mainly attributed to the followings:

- (i) Higher emergency works awarded to the Maintenance segment;
- (ii) New source of revenue from the Hotel and Hospitality segment as our hotel had commenced business operations on 1 October 2020;
- (iii) Higher revenue from the Trading segment due to increase in periodic and emergency works undertaken by the Maintenance segment; and
- (iv) Higher revenue from the Clean Energy segment due to commencement of billing for the power generation and supply to TNB and solar panel installation works.

The increase in revenue of the Group has resulted in the increase in profit before tax from RM25.7 million to RM31.7 million.

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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 below:

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

1) Maintenance

Revenue was RM449.1 million as compared to RM407.2 million due to higher emergency works awarded. Despite the increased in revenue, profit before tax decreased to RM38.4 million as compared to RM42.6 million due to higher cost of sales, increase in staff costs and administrative expenses.

2) Construction

Revenue was RM4.1 million as compared to RM19.6 million due to the completion of PPAM Phase 2 and Park Inn Hotel projects. The decrease in revenue has resulted in reduced profit before tax from RM4.0 million to RM1.1 million.

3) Property Development

Revenue was RM2.7 million as compared to RM21.1 million due to one-off disposal of vacant land in Q3 2020, lower revenue from rental of investment properties and no disposal of unsold inventory units.

The loss before tax decreased from RM8.3 million to RM5.5 million mainly due to lower administrative expenses.

4) Hotel and Hospitality

Revenue achieved was RM6.7 million due to encouraging occupancy rate. In line with the increased in revenue, this segment posted a reversal from a loss before tax of RM1.8 million to a profit before tax of RM0.4 million.

5) Engineering Services

Revenue decreased by 23% from RM23.3 million to RM18.0 million due to lower geotechnical, pavement works and certification services performed.

The loss before tax decreased from RM8.7 million to RM1.2 million due to lower operating and administrative expenses.

6) Trading and Manufacturing

Revenue increased by 4% (RM8.6 million) from RM206.1 million to RM214.7 million due to higher emergency and periodic works undertaken by the Maintenance segment, whereby this segment is the main supplier to the sub-contractors for bitumen, cold mix and quarry materials.

Consequently, profit before tax increased by 40% (RM0.7 million) from RM1.8 million to RM2.5 million.

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

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

7) Education

Revenue decreased by 19% (RM5.1 million) from RM27.6 million to RM22.5 million due to significant drop in student population.

In line with the decreased in revenue, the loss before tax increased from RM1.4 million to RM3.0 million.

8) Clean Energy

Revenue increased significantly from RM2.2 million to RM5.3 million due to the recognition of energy supply to TNB (Solar Photovoltaic) and increase in solar panel installation works performed. The increase in revenue has resulted in reduction of loss before tax by 51% from RM0.6 million to RM0.3 million.

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

Operating Segments	Quarter Ended		Difference
	30.9.2021	30.6.2021	
	RM'000	RM'000	RM'000
Revenue			
Maintenance	189,718	142,290	47,428
Construction	3,257	(11)	3,268
Property Development	782	1,064	(282)
Hotel and Hospitality	1,737	1,503	234
Engineering & Consultancy	7,602	5,101	2,501
Trading & Manufacturing	100,035	34,547	65,488
Education	8,686	6,318	2,368
Clean Energy	3,137	2,037	1,100
Others and Eliminations	(6,586)	(3,306)	(3,280)
GROUP	308,368	189,543	118,825
Profit/(Loss) Before Interest and Tax			
Maintenance	16,936	11,375	5,561
Construction	898	(411)	1,309
Property Development	(1,513)	348	(1,861)
Hotel and Hospitality	247	424	(177)
Engineering & Consultancy	(706)	1,231	(1,937)
Trading & Manufacturing	1,555	102	1,453
Education	176	(2,037)	2,213
Clean Energy	563	514	49
Others and Eliminations	(126)	19	(145)
GROUP	18,030	11,565	6,465
Profit/(Loss) Before Taxation			
Maintenance	16,965	11,732	5,233
Construction	401	(846)	1,247
Property Development	(1,972)	(104)	(1,868)
Hotel and Hospitality	(24)	150	(174)
Engineering & Consultancy	(1,058)	758	(1,816)
Trading & Manufacturing	1,321	(12)	1,333
Education	29	(2,187)	2,216
Clean Energy	188	129	59
Others and Eliminations	(193)	(88)	(105)
GROUP	15,657	9,532	6,125

The Group revenue increased from RM189.5 million to RM308.4 million mainly due to the increased in revenue from the following segments:

- (1) Maintenance: Higher periodic maintenance and emergency works;
- (2) Construction: Revenue recognition from completed projects;
- (3) Engineering: Higher geotechnical, pavement works secured and certification services performed;
- (4) Trading and Manufacturing: Higher demand for bitumen and quarry products;
- (5) Education: Increase in franchise and tuition fee; and
- (6) Energy: Higher revenue recognition from solar panel installation and billings from the power generation and supply energy from the Melaka solar plant.

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

In line with the increased in revenue by RM119.0 million, the Group profit before tax increased by RM6.1 million from RM9.5 million to RM15.6 million.

16. Commentary on Prospects

The Malaysian economy contracted by 4.5% in the third quarter of 2021 (2Q 2021: +16.1%). This was largely attributable to the strict containment and restriction measures particularly in July, under Phase 1 of the National Recovery Plan. However, the economic activity subsequently picked up as more states transitioned into Phase 2 with less restrictive containment measures. On the supply side, all economic sectors registered a contraction.

Despite the Covid-19 pandemic and its corollary movement restrictions and economic upheavals, our core business segments are performing reasonably well arising mainly from the various countermeasures the Board had implemented to mitigate any negative impact on profitability and enhanced measures to preserve cash.

The Group will continue to focus on operational excellence and superior performance on its core profitable business segments while concurrently reassessing and developing change management in strengthening the financial performance of other business segments.

The Board will continue to exercise caution in managing the Group's businesses and barring any unforeseen circumstances, the Group expects the present profit momentum to continue for the rest of the current financial year. In the meantime, the Group is also actively and diligently pursuing various business opportunities to enhance shareholders' returns.

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.

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19. Profit after Taxation

	<u>Current</u> <u>Year To Date</u> <u>30.9.2021</u> RM'000	<u>Corresponding</u> <u>Year To Date</u> <u>30.9.2020</u> RM'000
Profit after taxation for the financial period is arrived at after charging / (crediting):		
Depreciation of property, plant and equipment	9,289	8,269
Depreciation of investment properties	1,367	1,367
Depreciation of right-of-use assets	2,081	3,581
Impairment losses on receivables	700	9,858
Interest expense	7,055	7,273
Gain on disposal of property, plant and equipment	(157)	(2)
Interest income	(1,059)	(1,020)
Reversal of impairment losses on:		
-Trade receivables	(4,430)	(560)
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20. Corporate Proposals

There was no corporate proposal announced but not completed in the current quarter up to 24 November 2021, being the last practicable date from the date of the issue of this report.

21. Borrowings and Debt Securities

	<u>As at 30.9.2021</u> RM'000	<u>As at 30.9.2020</u> RM'000
Secured:		
- Short term borrowings	106,662	323,135
- Long term borrowings	83,126	87,045
- Bank overdrafts	37,540	42,532
Total borrowings	<hr/> 227,328 <hr/>	<hr/> 452,712 <hr/>

The total borrowings decreased from RM452.7 million as at 30 September 2020 to RM227.3 million as at 30 September 2021 due to loan repayment for PPA Phase 2 project. As a result, the net gearing ratio decreased to 0.39 times as at 30 September 2021 from 0.98 times as at 30 September 2020.

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.

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22. Trade Receivables

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

	<u>As at 30.9.2021</u>	<u>As at 30.9.2020</u>
	RM'000	RM'000
Less than 6 months	266,325	318,429
6 to 12 months	44,422	41,467
1 to 2 years	14,366	34,723
More than 2 years	5,035	4,825
	<u>330,148</u>	<u>399,444</u>

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

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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.

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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: -

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.

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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 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 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 continued Hearing on 11 January 2022.

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. 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 and the Federal Court has fixed 23 August 2021 for Decision. The appeal was allowed by the Federal Court on 23 August 2021 and therefore, the judgment of the Court of Appeal dated 6 March 2020 is set aside. With that, the Company is allowed to use the documents obtained from the banks as part of its evidence. However, the Company will still need to prove the documents in accordance with the standard of proof as set out in the provisions of the BBEA and the Evidence Act, 1950.

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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 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.

The Full Trial for the Kuala Lumpur High Court Suit No.: 22NCC-362-09/2014 has commenced on 15 and 27 October 2021, 8, 10, 11 and 12 November and will continue on 26 November 2021, 6 and 17 December 2021.

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.

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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;

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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 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 and it has been further rescheduled to 23 September 2019 wherein the appeals have been dismissed with costs of RM5,000.00. With the dismissal, all appropriate actions pursuant to the Construction Industry Payment and Adjudication Act 2012 have been exhausted and concluded.

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.

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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.

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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 11 October 2021 for continued Full Trial.

The Full Trial for the legal proceeding has been concluded on 11 October 2021. The Court has fixed 17 February 2022 for oral submission/clarification before the Court Judge.

The outcome of the Legal Proceeding will be announced after the said oral submission/clarification or on a date to be determined and informed by the Court.

(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").

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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 Mediation which was fixed on 6 April 2021 was unsuccessful as the parties have failed to reach a settlement. The Court has fixed 15 December 2021 as Case Management date to set further direction on the Suit.

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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> 30.9.2021	<u>9 months</u> <u>ended</u> 30.9.2021
Net profit for the financial quarter / year-to-date (RM'000)	2,965	9,459
Weighted average number of ordinary shares in issue ('000)	481,740	481,740
Adjustment for assumed exercise of warrants ('000)	106,051	106,051
Adjusted weighted average number of ordinary shares issued and issuable ('000)	<u>587,791</u>	<u>587,791</u>
Basic earnings per share (sen)	<u>0.62</u>	<u>1.96</u>
Fully diluted earnings per share (sen)	<u>0.50</u>	<u>1.61</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 November 2021.