

INTERIM REPORT FOR THE FINANCIAL PERIOD 31 MARCH 2022

**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 2021. 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 2021.

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 2021, except for the adoption of the amendments to accounting standards below that are relevant and effective for accounting periods on or after 1 January 2022 as follows: -

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvement to MFRS Standard 2018 - 2020	

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 31 MARCH 2022

3. Declaration of Audit Qualification

The audited financial statements of the Group for the financial year ended 31 December 2021 was not subject to any audit qualification.

4. Seasonal or Cyclical Factors

The Group's business operations for the quarter ended 31 March 2022 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 2022.

6. Changes in Estimates

There were no major changes in estimates that have had a material effect in the current quarter.

7. Segmental Information

	REVENUE		PROFIT BEFORE TAX	
	3 months ended 31.3.2022	3 months ended 31.3.2021	3 months ended 31.3.2022	3 months ended 31.3.2021
OPERATING SEGMENTS	RM'000	RM'000	RM'000	RM'000
Maintenance	94,021	117,127	5,906	9,680
Construction	-	859	(872)	1,556
Property & Asset Management	1,172	823	(2,240)	(3,456)
Hotel and Hospitality	1,913	3,438	(416)	297
Engineering & Consultancy	3,082	5,280	(1,580)	(930)
Trading & Manufacturing	52,657	80,104	482	1,178
Education	5,809	7,490	(2,956)	(846)
Clean Energy	2,574	113	20	(619)
Others & Eliminations	(4,095)	(6,310)	(452)	(314)
GROUP	157,133	208,924	(2,108)	6,546

INTERIM REPORT FOR THE FINANCIAL PERIOD 31 MARCH 2022

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

- (i) On 19 January 2022, Kumpulan Ikram Sdn. Bhd. ("KISB"), a wholly-owned subsidiary of the Company, has divested 98,000 ordinary shares representing 49% of the paid-up capital in Ikram International Sdn. Bhd. ("IISB") for a total cash consideration of RM98,000. Following the divestment, KISB owns 51% equity in IISB.
- (j) On 9 February 2022, HCM Engineering Sdn. Bhd. ("HCME"), a wholly-owned subsidiary of the Company, has divested 367,500 ordinary shares representing 49% of the paid-up capital in Infra Water Sdn. Bhd. ("IWSB") for a total cash consideration of RM11,675. Following the divestment, HCME owns 51% equity in IWSB.

Save as disclosed above, there were no material changes in the composition of the Group for the current 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 31.3.2022</u>
	RM'000
Purchase of property, plant and equipment	2,692
	<hr/>

13. Dividend

No dividend was declared or paid for the financial period ended 31 March 2022.

INTERIM REPORT FOR THE FINANCIAL PERIOD 31 MARCH 2022
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		
	31.3.2022	31.3.2021	Variance	31.3.2022	31.3.2021	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue						
Maintenance	94,021	117,127	-20%	94,021	117,127	-20%
Construction	-	859	-100%	-	859	-100%
Property & Asset Management	1,172	823	42%	1,172	823	42%
Hotel and Hospitality	1,913	3,438	-44%	1,913	3,438	-44%
Engineering & Consultancy	3,082	5,280	-42%	3,082	5,280	-42%
Trading & Manufacturing	52,657	80,104	-34%	52,657	80,104	-34%
Education	5,809	7,490	-22%	5,809	7,490	-22%
Clean Energy	2,574	113	2178%	2,574	113	2178%
Others & Eliminations	(4,095)	(6,310)	35%	(4,095)	(6,310)	35%
GROUP	157,133	208,924		157,133	208,924	
Profit/(Loss) Before Interest and Tax						
Maintenance	5,486	9,354	-41%	5,486	9,354	-41%
Construction	(506)	2,085	-124%	(506)	2,085	-124%
Property & Asset Management	(1,791)	(2,959)	39%	(1,791)	(2,959)	39%
Hotel and Hospitality	(174)	588	-130%	(174)	588	-130%
Engineering & Consultancy	(1,181)	(610)	-94%	(1,181)	(610)	-94%
Trading & Manufacturing	614	1,216	-50%	614	1,216	-50%
Education	(2,723)	(687)	-296%	(2,723)	(687)	-296%
Clean Energy	376	(275)	237%	376	(275)	237%
Others & Eliminations	(395)	(214)	-85%	(395)	(214)	-85%
GROUP	(294)	8,498		(294)	8,498	
Profit/(Loss) Before Taxation						
Maintenance	5,906	9,680	-39%	5,906	9,680	-39%
Construction	(872)	1,556	-156%	(872)	1,556	-156%
Property & Asset Management	(2,240)	(3,456)	35%	(2,240)	(3,456)	35%
Hotel and Hospitality	(416)	297	-240%	(416)	297	-240%
Engineering & Consultancy	(1,580)	(930)	-70%	(1,580)	(930)	-70%
Trading & Manufacturing	482	1,178	-59%	482	1,178	-59%
Education	(2,956)	(846)	-249%	(2,956)	(846)	-249%
Clean Energy	20	(619)	103%	20	(619)	103%
Others & Eliminations	(452)	(314)	-44%	(452)	(314)	-44%
GROUP	(2,108)	6,546		(2,108)	6,546	

The Group revenue decreased by RM51.8 million from RM208.9 million in the preceding corresponding quarter to RM157.1 million in the current quarter / year-to-date due mainly to the following:

- (i) lower periodic maintenance works awarded to the Maintenance segment;
- (ii) lower occupancy rates from the Hotel and Hospitality segment;
- (iii) lower supply of road maintenance raw materials from the Trading segment due to the decrease in periodic works undertaken by the Maintenance segment;
- (iv) lower pavement and geotechnical works secured by the Engineering segment; and
- (v) lower revenue from the Education segment due to reduction in student population.

INTERIM REPORT FOR THE FINANCIAL PERIOD 31 MARCH 2022

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

The decrease in Group revenue has resulted in the reversal of Group profit before tax of RM6.5 million in the preceding corresponding quarter to a loss before tax of RM2.1 million in the current quarter.

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

1) Maintenance

Revenue decreased by RM23.1 million (20%) from RM117.1 million to RM94.0 million due to lower periodic maintenance works performed in the current quarter. This has resulted in the decrease of profit before tax of RM3.8 million (39%) from RM9.7 million to RM5.9 million.

2) Construction

In line with the decreased in revenue, this segment posted a reversal from a profit before tax of RM1.6 million in the preceding corresponding quarter to a loss before tax of RM0.9 million due to no new project launched in the current quarter.

3) Property & Asset Management

Revenue increased by RM0.3 million (43%) from RM0.8 million to RM1.2 million due to increased in rental rates from investment properties and property management. The increased in revenue has resulted in the decreased of loss before tax by RM1.2 million from RM3.4 million in the preceding corresponding quarter to RM2.2 million in the current quarter.

4) Hotel and Hospitality

Revenue decreased by 44% (RM1.5 million) from RM3.4 million to RM1.9 million due to lower room occupancy rates, and lower-income from food, beverages, and other ancillary services in the current quarter. This has resulted in the reversal of profit before tax of RM0.3 million in the preceding corresponding quarter to a loss before tax of RM0.4 million in the current quarter.

5) Engineering & Consultancy

Revenue decreased by RM2.2 million (42%) from RM5.3 million in the preceding corresponding quarter to RM3.1 million in the current quarter due to lower pavement and geotechnical works secured. The decreased in the revenue has resulted in the increased in loss before tax by RM0.7 million (70%) from RM0.9 million to RM1.6 million.

6) Trading and Manufacturing

Revenue decreased by RM27.4 million (34%) from RM80.1 million to RM52.7 million due mainly to the decreased in the supply of quarry, cold mix and bitumen products. In line with the decreased in revenue, the profit before tax decreased from RM1.2 million in the preceding corresponding quarter to RM0.5 million in the current quarter.

INTERIM REPORT FOR THE FINANCIAL PERIOD 31 MARCH 2022

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

7) Education

Revenue decreased by RM1.7 million (22%) from RM7.5 million in the preceding corresponding quarter to RM5.8 million in the current quarter due to reduction in student population. Consequently, the loss before tax increased to RM3.0 million as compared to RM0.8 million due to lower revenue, and higher cost of sales and operating expenses mainly from staff costs and marketing agent expenses.

8) Clean Energy

Revenue increased significantly from RM0.1 million to RM2.6 million due to revenue recognition of energy supply to Tenaga Nasional Berhad which commenced in Q2 2021. The increased in solar panel installation works performed further boost up the revenue in the current quarter. The increased in revenue has resulted in the reversal from a loss before tax of RM0.6 million to a profit before tax of RM20k.

INTERIM REPORT FOR THE FINANCIAL PERIOD 31 MARCH 2022
15. Material Changes in the Quarterly Results Compared to the Results of the Preceding Quarter

Operating Segments	Quarter Ended		Difference
	31.3.2022	31.12.2021	
	RM'000	RM'000	RM'000
Revenue			
Maintenance	94,021	290,948	(196,927)
Construction	-	5,097	(5,097)
Property & Asset Management	1,172	785	387
Hotel and Hospitality	1,913	2,686	(773)
Engineering & Consultancy	3,082	10,660	(7,578)
Trading & Manufacturing	52,657	94,443	(41,786)
Education	5,809	8,431	(2,622)
Clean Energy	2,574	2,548	26
Others and Eliminations	(4,095)	(9,586)	5,491
GROUP	157,133	406,012	(248,879)
Profit/(Loss) Before Interest and Tax			
Maintenance	5,486	20,404	(14,918)
Construction	(506)	6,854	(7,360)
Property & Asset Management	(1,791)	(2,407)	616
Hotel and Hospitality	(174)	770	(944)
Engineering & Consultancy	(1,181)	(5,003)	3,822
Trading & Manufacturing	614	1,436	(822)
Education	(2,723)	(2,345)	(378)
Clean Energy	376	1,022	(646)
Others and Eliminations	(395)	2,722	(3,117)
GROUP	(294)	23,453	(23,747)
Profit/(Loss) Before Taxation			
Maintenance	5,906	22,153	(16,247)
Construction	(872)	6,313	(7,185)
Property & Asset Management	(2,240)	(2,895)	655
Hotel and Hospitality	(416)	668	(1,084)
Engineering & Consultancy	(1,580)	(5,553)	3,973
Trading & Manufacturing	482	863	(381)
Education	(2,956)	(2,668)	(288)
Clean Energy	20	603	(583)
Others and Eliminations	(452)	3,161	(3,613)
GROUP	(2,108)	22,645	(24,753)

The Group revenue decreased from RM406.0 million in the immediate preceding quarter to RM157.1 million in the current quarter due to the decreased in revenue from the following segments:

- (i) Maintenance: Lower periodic maintenance works;
- (ii) Hotel and Hospitality: Decreased in room occupancy rates and food and beverages income;
- (iii) Engineering: Lower geotechnical, pavement, and certification services work secured;
- (iv) Trading: Lower demand for bitumen and quarry products; and
- (v) Education: Lower tuition fees and franchise fees.

INTERIM REPORT FOR THE FINANCIAL PERIOD 31 MARCH 2022

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

The decrease in revenue of RM248.9 million has resulted in the reversal of Group profit before tax from RM22.6 million in the immediate preceding quarter to a loss before tax of RM2.1 million in the current quarter.

16. Commentary on Prospects

Moving forward with the entering of the endemic phase entailing the upliftment of all operational restrictions coupled with the 1st quarter 2022 GDP growth of 5% and further GDP growth improvements forecast for the rest of the year indicating the commencement of economic recovery, the Group expects a marked improvement in economic activities for the rest of the financial year 2022.

However, the rise in interest rates to fight inflationary pressures and the global supply chain disruptions is expected to increase the borrowing cost and the cost of doing business, thus reducing operating margins.

The Group continues to actively and diligently pursue other business opportunities to enhance its earnings and the return to the shareholders. The easing of heightened market volatility, improved consumer sentiment, and the opening of international borders which is expected to result in the marked improvements in student registration; the Group barring any unforeseen circumstances, is cautiously optimistic and expects to improve its performance for the remaining period of 2022.

17. Profit Forecast or Profit Guarantee

Not applicable.

18. Taxation

Taxation represents current quarter provision.

The effective tax rate for the current year 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.

INTERIM REPORT FOR THE FINANCIAL PERIOD 31 MARCH 2022

19. Profit after Taxation

	<u>Current</u> <u>Year To Date</u> <u>31.3.2022</u> RM'000	<u>Corresponding</u> <u>Year To Date</u> <u>31.3.2021</u> RM'000
Profit after taxation for the financial period is arrived at after charging / (crediting):		
Depreciation of property, plant and equipment	3,205	2,570
Depreciation of investment properties	455	455
Depreciation of right-of-use assets	760	1,048
Impairment losses on receivables	-	201
Interest expense	2,168	2,307
Loss/(Gain) on disposal of property, plant and equipment	22	(46)
Interest income	(326)	(635)
Reversal of impairment losses on receivables	(17)	-
	<hr/>	<hr/>

20. Corporate Proposals

There was no corporate proposal announced but not completed in the current quarter up to 27 May 2022, being the last practicable date from the date of the issue of this report.

INTERIM REPORT FOR THE FINANCIAL PERIOD 31 MARCH 2022
21. Borrowings and Debt Securities

	<u>As at 31.3.2022</u>	<u>As at 31.3.2021</u>
	RM'000	RM'000
Secured:		
- Short term borrowings	118,840	102,900
- Long term borrowings	68,721	86,645
- Bank overdrafts	26,648	25,198
Total borrowings	<u>214,209</u>	<u>214,743</u>

The total borrowings decrease marginally from RM214.7 million as at 31 March 2021 to RM214.2 million as at 31 March 2022. The term loans repayments for IUKL, student accommodation, Park Inn by Radisson Hotel, and Pasir Gudang vacant land were off-set by the increase in drawdown of Bankers Acceptances under the Trading segment and new banking facility of RM5.0 million granted to i2Energy Sdn Bhd.

The net gearing ratio increase from 0.22 times as at 31 March 2021 to 0.26 times as at 31 March 2022 due to reduction in cash and cash equivalents from RM100.8 million in the preceding corresponding quarter to RM115.2 million in the current quarter.

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:

	<u>As at 31.3.2022</u>	<u>As at 31.3.2021</u>
	RM'000	RM'000
Less than 6 months	213,106	221,767
6 to 12 months	8,641	22,732
1 to 2 years	2,093	5,031
More than 2 years	4,512	-
	<u>228,352</u>	<u>249,530</u>

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

INTERIM REPORT FOR THE FINANCIAL PERIOD 31 MARCH 2022

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.

INTERIM REPORT FOR THE FINANCIAL PERIOD 31 MARCH 2022

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.

INTERIM REPORT FOR THE FINANCIAL PERIOD 31 MARCH 2022

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 and the appeal has been dismissed by the Court of Appeal with costs of RM30,000.00 to be paid to the Company by both the 2nd and 3rd Defendant. The 2nd and 3rd Defendant had on 10 February 2022 filed an application for leave via notice of motion at the Federal Court (“Leave Application”) seeking leave to appeal to the Federal Court against the decision of the High Court on 10 September 2020 dismissing the Strike Out Application and the decision of the Court of Appeal on 11 January 2022 dismissing the appeal. The Leave Application is fixed for Hearing on 27 June 2022.

INTERIM REPORT FOR THE FINANCIAL PERIOD 31 MARCH 2022

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 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.

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, 12 and 26 November 2021, 6 and 17 December 2021, 19 January 2022 and on 2, 3 and 4 March 2022 whereas the Full Trial scheduled on 22, 23 and 25 March 2022 have been vacated.

The Full Trial fixed on 15 April 2022 and on 5 and 6 May 2022 have been concluded. The Full Trial fixed on 13 May 2022 has been vacated. The Full Trial will continue on 26, 30 and 31 May 2022 and on 16 and 17 June 2022.

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.

INTERIM REPORT FOR THE FINANCIAL PERIOD 31 MARCH 2022

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)

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.

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”): -

INTERIM REPORT FOR THE FINANCIAL PERIOD 31 MARCH 2022

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)

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

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

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

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

On 29 October 2018, HCM filed an appeal to the Court of Appeal against the decision of the High Court in dismissing the Setting Aside Application and allowing the Enforcement Application. The hearing date 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").

INTERIM REPORT FOR THE FINANCIAL PERIOD 31 MARCH 2022

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

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

HCM's claims against Kuasatek are as follows: -

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

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

INTERIM REPORT FOR THE FINANCIAL PERIOD 31 MARCH 2022

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. At the conclusion of the oral submission/clarification, the Legal Proceeding is fixed for Decision on 30 March 2022.

The Court had on 30 March 2022 ("Judgment Date") ruled the following judgment ("Judgment") in favour of HCM on the legal proceeding, the details of which are as follows:

- (i) HCM has been awarded a judgment sum of RM584,280 ("Judgment Sum") being an overpayment made to Kuasatek;
- (ii) Kuasatek is to remit the said Judgment Sum from the Judgment Date, failing which an interest at the rate of 5% per annum will be imposed from the Judgment Date until full and final settlement of the Judgment Sum; and
- (iii) Legal costs of RM60,000 is awarded to HCM due to the complexity, amount of works and time used for the entire legal proceeding.

Pursuant to the Judgment on 30 March 2022, the Court has fixed 22 April 2022 for submission/clarification by the parties' Solicitors before the Court Judge of the Judgment Sum awarded to HCM. Upon hearing the oral submission/clarification from HCM's Solicitor, the Court held as follows:

- (i) The Judgment Sum has been revised from RM584,279.67 to RM986,248.89 being the correct and accurate overpayment made by HCM to Kuasatek;
- (ii) An interest at the rate of 5% per annum will be imposed on the Judgment Sum from 22 April 2022 until full and final settlement of the Judgment Sum; and
- (iii) Legal costs of RM60,000.00 is awarded to HCM due to the complexity, amount of work and time used for the entire Legal Proceeding.

Kuasatek had on 28 April 2022 filed an appeal to the Court of Appeal to appeal against the Judgment. The Hearing date for the appeal is yet to be fixed by the Court of Appeal.

INTERIM REPORT FOR THE FINANCIAL PERIOD 31 MARCH 2022

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

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").

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.

INTERIM REPORT FOR THE FINANCIAL PERIOD 31 MARCH 2022

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 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 Case Management date which was fixed on 15 December 2021 was postponed to a further date.

KISB had on 25 January 2022 filed an application for the discovery of the Project documents from TNB pursuant to Order 24, Rules 12, 13 and 16 of the Rules of Court 2022 (“Discovery Application”).

The Hearing date for the said Discovery Application originally scheduled on 11 May 2022 and later postponed to 24 May 2022 have been vacated.

The Penang High Court has fixed 7 June 2022 as the new Hearing date for the said Discovery Application.

Notwithstanding the above litigation, the claim amount has been fully impaired in the financial year ended 31 December 2020.

INTERIM REPORT FOR THE FINANCIAL PERIOD 31 MARCH 2022
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> 31.3.2022	<u>3 months</u> <u>ended</u> 31.3.2021
Net (loss) / profit for the financial quarter (RM'000)	(5,473)	82
Weighted average number of ordinary shares in issue ('000)	481,739	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>587,790</u>	<u>587,791</u>
Basic (loss) / earnings per share (sen)	<u>(1.14)</u>	<u>0.02</u>
Fully diluted (loss) / earnings per share (sen)	<u>(0.93)</u>	<u>0.01</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 27 May 2022.