

DOLOMITE CORPORATION BERHAD (199401004776 (290455-W))
Incorporated in Malaysia

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

The Board of Directors of Dolomite Corporation Berhad is pleased to announce the following unaudited consolidated financial statements for the quarter ended 31 December 2021 which should be read in conjunction with the audited consolidated financial statements for the financial period ended 31 December 2020 and the accompanying explanatory notes attached to the unaudited consolidated financial statements.

	As at 31.12.2021 RM'000 (unaudited)	As at 31.12.2020 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	184,494	186,655
Intangible assets	6,037	6,039
Deferred tax assets	108	96
	<u>190,639</u>	<u>192,790</u>
Current Assets		
Inventories	120,751	120,017
Trade receivables	2,249	3,667
Contract assets	63	63
Other receivables, deposits and prepayments	46,695	43,584
Current tax assets	160	153
Cash and bank balances	1,068	1,438
	<u>170,986</u>	<u>168,922</u>
TOTAL ASSETS	<u><u>361,625</u></u>	<u><u>361,712</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	53,791	21,428
Accumulated losses	(85,528)	(53,816)
Reserves	61,802	69,313
Total equity	<u>30,065</u>	<u>36,925</u>
Liabilities		
Non-current liabilities		
Loans and borrowings	5,250	7,193
Deferred tax liabilities	217	-
Other payables	945	1,931
	<u>6,412</u>	<u>9,124</u>
Current liabilities		
Trade payables	17,515	18,477
Contract liabilities	3,389	3,182
Other payables, deposits and accruals	91,386	91,739
Provision	-	5,936
Loans and borrowings	191,832	178,999
Tax liabilities	21,026	17,330
	<u>325,148</u>	<u>315,663</u>
Total liabilities	<u>331,560</u>	<u>324,787</u>
Total equity and liabilities	<u><u>361,625</u></u>	<u><u>361,712</u></u>
Net assets per share (RM)	0.07	0.12

DOLOMITE CORPORATION BERHAD (199401004776 (290455-W))
Incorporated in Malaysia

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the quarter ended 31 December 2021

	Current year	Preceding	Changes		Current year	Preceding	Changes	
	quarter	period	RM '000	%	to date	period to date	RM '000	%
	31.12.2021	31.12.2020			31.12.2021	31.12.2020		
	RM'000	RM'000			RM'000	RM'000		
	(unaudited)	(**)			(unaudited)	(**)		
Revenue	309	N/A	-	-	2,379	N/A	-	-
Cost of sales	(5,512)	N/A	-	-	(17,124)	N/A	-	-
Gross Profit / (Loss)	<u>(5,203)</u>	<u>N/A</u>	-	-	<u>(14,745)</u>	<u>N/A</u>	-	-
Other income	5,517	N/A			13,087	N/A		
Marketing and distribution expenses	(85)	N/A			(281)	N/A		
Administrative expenses	(3,854)	N/A			(7,654)	N/A		
Other expenses	<u>(1,022)</u>	<u>N/A</u>			<u>(5,034)</u>	<u>N/A</u>		
Profit / (Loss) from operations	(4,647)	N/A	-	-	(14,627)	N/A	-	-
Interest income	-	N/A			1	N/A		
Finance costs	(3,258)	N/A			(12,639)	N/A		
Profit / (Loss) before taxation	<u>(7,905)</u>	<u>N/A</u>	-	-	<u>(27,265)</u>	<u>N/A</u>	-	-
Tax expense	<u>(2,663)</u>	<u>N/A</u>			<u>(4,447)</u>	<u>N/A</u>		
Profit / (Loss) for the year	(10,568)	N/A	-	-	(31,712)	N/A	-	-
Other comprehensive income/(loss), net of tax								
Foreign currency translation	<u>(2,228)</u>	<u>N/A</u>			<u>(7,511)</u>	<u>N/A</u>		
Total comprehensive income/(loss) for the year	<u><u>(12,796)</u></u>	<u><u>N/A</u></u>			<u><u>(39,223)</u></u>	<u><u>N/A</u></u>		
Attributable to owners of the Company:								
Profit/(Loss) for the year	(10,568)	N/A			(31,712)	N/A		
Total comprehensive income/(loss)	<u><u>(12,796)</u></u>	<u><u>N/A</u></u>			<u><u>(39,223)</u></u>	<u><u>N/A</u></u>		
Earnings per share (sen)								
- basic	(1.79)	N/A			(5.91)	N/A		
- diluted	N/A	N/A			N/A	N/A		

***Following the change in financial year end from 30 June to 31 December, the previous set of audited financial statements are for a period of 18 months from 1 July 2019 to 31 December 2020 and thereafter, to end on 31 December each year. Accordingly, there are no comparative figures to be presented in this Consolidated Statement of Profit or Loss and Other Comprehensive Income.

DOLOMITE CORPORATION BERHAD (199401004776 (290455-W))
Incorporated in Malaysia

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the quarter ended 31 December 2021

	Attributable to owners of the Company				Total equity
	<---- Non distributable ---->			Distributable	
	Share capital	Capital reserve	Foreign exchange translation reserve	Accumulated losses	
RM'000	RM'000	RM'000	RM'000	RM'000	
As at 1 January 2021	21,428	68,694	619	(53,816)	36,925
Issuance of ordinary shares pursuant to debt settlement	32,363	-	-	-	32,363
Profit / (loss) for the year	-	-	-	(31,712)	(31,712)
Other comprehensive income / (loss) for the year	-	-	(7,511)	-	(7,511)
As at 31 December 2021	53,791	68,694	(6,892)	(85,528)	30,065

	Attributable to owners of the Company				Total equity
	<---- Non distributable ---->			Distributable	
	Share capital	Capital reserve	Foreign exchange translation reserve	Accumulated losses	
RM'000	RM'000	RM'000	RM'000	RM'000	
As at 1 January 2020**	N/A	N/A	N/A	N/A	N/A
Total comprehensive income/ (loss) for the year	N/A	N/A	N/A	N/A	N/A
As at 31 December 2020**	N/A	N/A	N/A	N/A	N/A

**There are no comparative figures disclosed for the cumulative period-to-date results following the change in the financial year end from 30 June to 31 December.

DOLOMITE CORPORATION BERHAD (199401004776 (290455-W))
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
For the quarter ended 31 December 2021

	Current year to date 31.12.2021 RM'000 (unaudited)	Preceding period to date 31.12.2020 RM'000 (**)
Operating activities		
Loss/(profit) before tax	(27,265)	N/A
Adjustments for:		
Amortisation of:		
- intangible assets	2	N/A
Bad debts recovered	(72)	N/A
Depreciation of property, plant and equipment	13,795	N/A
Impairment loss on:		
- trade & other receivables	19	N/A
Reversal of Impairment loss		
- trade & other receivables	(967)	N/A
Gain on remeasurement of other payables measured at amortised cost	382	N/A
Interest expense	12,640	N/A
Loss on settlement of debt	3,737	N/A
Unrealised gain on foreign exchange	(11,831)	N/A
Operating profit before changes in working capital	(9,560)	N/A
Changes in working capital:		
Property development costs	362	N/A
Inventories	308	N/A
Trade and other receivables	(673)	N/A
Contract assets	-	N/A
Trade and other payables	12,432	N/A
Contract liabilities	207	N/A
Provisions	(1,436)	N/A
Cash flow generated from/(for) operating activities	1,640	N/A
Tax paid	(552)	N/A
Interest paid	(3,011)	N/A
Net cash flow from/(for) operating activities	(1,923)	N/A
Investing activities		
Purchase of property, plant and equipment	(34)	N/A
Net cash flow from/(for) investing activities	(34)	N/A

Financing activities

Advance from / (repayments to) other creditors	(1,368)	N/A
Proceeds from/(repayment of) loans and borrowings, net	1	N/A
Repayment of finance lease liabilities	(22)	N/A
Net cash flow from/(for) financing activities	(1,389)	N/A
Changes in cash and cash equivalents	(3,346)	N/A
Currency translation differences	1	N/A
Cash and cash equivalents at start of the financial year	(31,463)	N/A
Cash and cash equivalents at end of the financial year	(34,808)	N/A

For the purpose of the Statement of Cash Flow, cash and cash equivalents comprise the following:

	31.12.2021	31.12.2020
	RM'000	RM'000
	(unaudited)	(**)
Cash and bank balances	1,068	N/A
Bank overdrafts	(35,876)	N/A
	(34,808)	N/A

**There are no comparative figures disclosed for the preceding period-to-date results following the change in the financial year end from 30 June to 31 December.

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134
For the quarter ended 31 December 2021

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial period ended 31 December 2020. The explanatory notes attached to the interim financial statements provide explanations of the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial period ended 31 December 2020.

2. Changes in Accounting Policies

The significant accounting policies applied are consistent with those of the audited financial statements for the financial period ended 31 December 2020 except for the adoption of the following new MFRSs, amendments to MFRSs and IC Interpretations that are effective for financial statements effective 1 January 2021, as disclosed below:

Effective for annual periods commencing on or after 1 January 2021

Amendments to MFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	<i>Interest Rate Benchmark Reform - Phase 2</i>

The Group has not adopted the following new MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board:

MFRS and Amendments to MFRS effective 1 January 2022

Annual Improvements to MFRS Standards 2018 - 2020	
Amendments to MFRS 3	<i>Reference to Conceptual Framework</i>
Amendments to MFRS 116	<i>Property, Plant and Equipment - Proceeds before Intended Use</i>
Amendments to MFRS 137	<i>Onerous Contracts—Cost of Fulfilling a Contract</i>

MFRS and Amendments to MFRS effective 1 January 2023

MFRS 4	<i>Insurance Contracts#</i>
Amendments to MFRS 101	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to MFRS 101	<i>Disclosure of Accounting Policies</i>
Amendments to MFRS 108	<i>Definition of Accounting Estimates</i>

Amendments to MFRSs (deferred effective dates to be announced by MASB)

Amendments to MFRS 10 and MFRS 128	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture#</i>
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Not applicable to Group's existing operations

The possible impact on adoption of the above pronouncements in the period of initial application cannot be determined at present.

3 Auditors' Report on Preceding Financial Period Financial Statements

The audit report of the preceding financial period ended 31 December 2020 contained a disclaimer opinion, extract of which is set out in the Attachment on page 14.

The measures as stated in the audited report which have been taken or will be taken to mitigate the existence of material uncertainty on going concerns are still being pursued by the Group.

4. Seasonal or Cyclical Factors

The Group's operations are not materially affected by any seasonal or cyclical factors.

5. Unusual Items

There were no unusual items for the current financial year under review.

6. Changes in Estimates

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

7. Debt and Equity Securities

The number of ordinary shares and Redeemable Convertible Cumulative Preference Shares ("RCCPS") of the Company during the financial year under review are as follows:

	<u>Ordinary Shares</u>	<u>RCCPS</u>
As at 1 January 2021	313,448,173	-
Issued on 19 January 2021	100,000,000	100,778,568
Conversion of RCCPS on 12 April 2021	80,759,521	(80,759,521)
Issued on 12 April 2021	96,584,514	-
As at 31 December 2021	<u>590,792,208</u>	<u>20,019,047</u>

8. Dividend Paid

There were no ordinary share dividends paid in the financial year under review.

9. Valuation of Property, Plant and Equipment

There was no valuation of property, plant and equipment during the financial year under review.

10. Operating Segments

	Manufacturing	Construction	Property Development	Thermal Power Generation	Investment Holding	Current period to date 31.12.2021 Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment Revenue						
External revenue	623	-	1,756	-	-	2,379
Inter-segment revenue	33	1,728	-	-	-	1,761
	<u>656</u>	<u>1,728</u>	<u>1,756</u>	<u>-</u>	<u>-</u>	<u>4,140</u>
Adjustments and eliminations						<u>(1,761)</u>
Consolidated revenue						<u>2,379</u>
Segment Results	(1,481)	(3,248)	(2,107)	(3,181)	(4,610)	(14,627)
Interest income						1
Finance costs						<u>(12,639)</u>
Loss before taxation						<u>(27,265)</u>
Tax expense						<u>(4,447)</u>
						<u>(31,712)</u>

11. Material Events Subsequent to the End of the Financial Year Under Review

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

12. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter under review.

13. Changes in the Contingent Liabilities and Contingent Assets

There were no material changes in the contingent liabilities and contingent assets of the Group since the last Statement of Financial Position as at 31 December 2020.

14. Significant Related Party Transaction

There were no significant related party transactions during the quarter under review.

15. Capital Commitments

There were no capital commitments for the quarter under review.

DOLOMITE CORPORATION BERHAD (199401004776 (290455-W))
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PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF
THE BURSA SECURITIES LISTING REQUIREMENTS
For the quarter ended 31 December 2021

1. Financial Review

In the current financial year ended 31 December 2021, the Group registered a total revenue of RM2.379 million. The revenue for the financial year under review is due to contribution from property development and manufacturing segments of RM1.756 million and RM0.623 million respectively.

The Group posted loss before interest and tax ("LBIT") of RM14.627 million for the financial year under review. The results before interest and tax of the various operating segments for the financial year under review are as follows:

	Current year to date 31.12.2021 RM'000
<u>Operating Segments</u>	
Manufacturing	(1,481)
Construction	(3,248)
Property development	(2,107)
Thermal power generation	(3,181)
Investment holding	(4,610)
LBIT	<u>(14,627)</u>

The LBIT of RM14.627 million recorded in the financial year under review is mainly due to LBIT from the investment holding, thermal power generation and construction segments. The LBIT of RM4.610 million in the investment holding segment is mainly due to loss on settlement of debt of RM3.067 million by way of issuance of new ordinary shares in Dolomite Corporation Berhad caused by adopting fair value based on the 5-Day Volume Weighted Average Market Price ("VWAP") for the issue price.

The LBIT of RM3.181 million in the thermal power generation segment is mainly due to depreciation of RM13.741 million less foreign exchange gain of RM11.831 million.

The LBIT of RM3.248 million in the construction segment is due to no external revenue being generated.

2. Financial Review for Current Quarter compared with immediate Preceding Quarter

	Current Quarter	Immediate Preceding Quarter	Changes	
	31.12.2021 RM'000	30.09.2021 RM'000	RM '000	%
Revenue	309	1,814	(1,505)	-83.0%
Profit / (Loss) before interest and tax	(4,647)	(3,788)	(859)	22.7%
Profit / (Loss) before tax	(7,905)	(6,987)	(918)	13.1%
Profit / (Loss) after tax	(10,568)	(7,571)	(2,997)	39.6%
Profit / (Loss) attributable to owners of the Company	(10,568)	(7,571)	(2,997)	39.6%

The Group registered a revenue of RM0.309 million in the current quarter under review compared to RM1.814 million for the preceding quarter mainly due to lower revenue contribution from the manufacturing and property development segment at RM0.269 million and RM0.040 million respectively in the current quarter.

The Group posted a loss before tax ("LBT") of RM7.905 million for the current quarter compared with the preceding quarter LBT of RM6.987 million.

3. Commentary on Prospects

The Group's domestic performance for the current financial year will continue to be challenging in view of the current overall economic condition in the country especially in the downturn of the property industry which is severely impacted by the COVID-19 pandemic.

The Group's thermal power plant in Shandong, the People's Republic of China has ceased operation in November 2017. In the meantime, the Group is looking for investors to take over the plant.

4. Variance of Actual Profit from Profit Forecast or Profit Guarantee

The Group has not announced or disclosed any profit forecast or profit guarantee in a public document that relates to the current financial year under review.

5. Items included in the Statement of Profit Or Loss And Other Comprehensive Income

The following items are included in the Statement of Profit or Loss and Other Comprehensive Income in the financial year under review :

	Current year quarter 31.12.2021 RM'000 (unaudited)	Current year to date 31.12.2021 RM'000 (unaudited)
Depreciation and amortisation	(3,698)	(13,797)
Gain / (Loss) on foreign exchange (realised and unrealised)	4,778	11,831
Impairment loss on and write off of receivables	(19)	(19)
Reversal of impairment loss on receivables	911	1,039

The following items are not applicable in the financial year under review :

Gain / (Loss) on disposal of property, plant and equipment
Inventories written off
Impairment loss on property, plant and equipment
Impairment loss on intangible assets
Impairment loss on and write off of receivables
Reversal of impairment loss on property, plant and equipment
Gain or loss on derivatives
Gain on disposal of intangible assets
Gain/(loss) on disposal of quoted or unquoted investments or properties
Exceptional items

6. Tax Expense

	Current year quarter 31.12.2021 RM'000 (unaudited)	Current year to date 31.12.2021 RM'000 (unaudited)
Tax expense comprises:		
Income tax		
- current financial period	(1,559)	(3,359)
- prior year	(885)	(882)
	<hr/>	<hr/>
	(2,444)	(4,241)
Deferred taxation	(219)	(206)
	<hr/>	<hr/>
	(2,663)	(4,447)

The Group's effective tax rate is higher than the prima facie tax rate mainly due to tax charge on profits of certain subsidiaries which cannot set-off against the tax losses of other subsidiaries and certain expenses being disallowable for tax purposes.

7. Status of Corporate Proposals

There were no corporate proposals which were announced but pending completion as at 28 February 2022.

8. Group Borrowings

There were no debt securities as at 31 December 2021.

The Group borrowings as at 31 December 2021 were as follows:-

	Total	----- Denominated in -----	
		RM	USD
	RM'000	RM'000	RM'000
<u>Current</u>			
- Secured			
Bank overdrafts	35,876	35,876	-
Term loans	153,909	4,105	149,804
Revolving credit	2,031	2,031	-
Lease liabilities	16	16	-
	<u>191,832</u>	<u>42,028</u>	<u>149,804</u>
<u>Non-current</u>			
- Secured			
Term loans	3,089	3,089	-
Lease liabilities	59	59	-
- Unsecured			
Redeemable Convertible Cumulative Preference Shares	2,102	2,102	-
	<u>5,250</u>	<u>5,250</u>	<u>-</u>
Total	<u>197,082</u>	<u>47,278</u>	<u>149,804</u>

The Group borrowings as at 31 December 2020 were as follows:-

	Total	----- Denominated in -----	
		RM	USD
	RM'000	RM'000	RM'000
<u>Current</u>			
- Secured			
Bank overdrafts	32,901	32,901	-
Term loans	144,039	-	144,039
Revolving credit	2,049	2,049	-
Lease liabilities	10	10	-
	<u>178,999</u>	<u>34,960</u>	<u>144,039</u>
<u>Non-current</u>			
- Secured			
Term loans	7,193	7,193	-
Lease liabilities	-	-	-
	<u>7,193</u>	<u>7,193</u>	<u>-</u>
Total	<u>186,192</u>	<u>42,153</u>	<u>144,039</u>

9. Changes in Material Litigation

The change in the status of the material litigation of the Group since the last annual Statement of Financial Position as at 31 December 2020 is as follows:

- a) The Company, a Corporate Guarantor for Term Loan Facility granted by Maybank International Labuan Branch ("Maybank") to Dolomite Power-Shandong (HK) Ltd ("DPSHK"), a wholly-owned subsidiary of Dolomite Technology (HK) Limited which in turn is a wholly-owned subsidiary of the Company both received a Writ and Statement of Claim, dated 30 September 2020, through its solicitors for an outstanding amount of USD36,599,124.97 (RM152,179,162.00) under the Term Loan Facility.

On 18 March 2021, the High Court Judge allowed Maybank's summary judgement application with costs and ordered DPSHK to repay the outstanding amount of USD36,599,125 (equivalent to approximately RM146,864,000). The Judge dismissed the Defendants' Notice of Application to amend the defence and to include counterclaim with costs.

On 24 March 2021, the Company and DPSHK filed Notices of Appeal against the above decisions given by the High Court Judge. Further case management is fixed on 31 March 2022.

On 11 May 2021, the High Court granted the Company an Order pursuant to Section 366 and 368 of the Companies Act 2016 ("Restraining Order"). The Restraining Order was applied by the Company to formulate and finalise a proposal scheme of arrangement between the Company and its Scheme Creditors. The Restraining Order was for a period of 90 days effective from 11 May 2021 to 9 August 2021 (i.e. lapsed).

On 16 August 2021, the Company applied for Judicial Management Order ("JM Order") pursuant to Section 404 and 405 of the Companies Act 2016 which no resolution shall be passed or order shall be made for the winding-up of the Company. Hearing is fixed on 8 March 2022.

The Company was served with a Winding-up Petition dated 21 September 2021 by Maybank for an alleged amount of USD38,187,513.33 together with costs awarded by the High Court purportedly due and owing to Maybank. Further case management is fixed on 9 March 2022.

10. Proposed Dividend

The Directors do not recommend any ordinary share dividend for the current quarter ended 31 December 2021 (31 December 2020: Nil).

11. Earnings / (loss) per share

	Current period quarter 31.12.2021 RM'000	Current period to date 31.12.2021 RM'000
Earnings / (loss) for the financial period attributable to owners of the Company (RM'000)	(10,568)	(31,712)
Weighted average number of ordinary shares in issue		
Issued ordinary shares at the start of the financial year ('000)	313,448	313,448
Effect of 277,344,035 new ordinary shares issued during the financial year ('000)	277,344	223,339
Weighted average number of ordinary shares at end of the financial year ('000)	590,792	536,787
Basic earnings/(loss) per share (sen)	(1.79)	(5.91)

The diluted earnings / (loss) per share is not presented as there is an anti-dilutive effect arising from the assumed conversion of the RCCPS.

12. Foreign Currency Risk Management

The Group did not enter into any foreign currency contracts during the current financial year under review.

13. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 February 2022.

ATTACHMENT
For the quarter ended 31 December 2021

Auditors' Report on Preceding Financial Period Financial Statements

The following is an extract of the audit report of the preceding financial period ended 31 December 2020:

Disclaimer Opinion

We were engaged to audit the financial statements of Dolomite Corporation Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 116.

We do not express an opinion on the accompanying financial statements of the Group and of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer Opinion

1. As disclosed in Note 2.6 to the financial statements, the Company incurred a net loss of RM66.778 million during the financial period ended 31 December 2020 and, as of that date, the Group's and the Company's current liabilities exceeded their current assets by RM146.741 million and RM141.144 million respectively and the Company recorded a capital deficiency of RM59.574 million.

Since the previous financial years, one of the subsidiaries of the Company, Dolomite Power-Shandong (HK) Ltd ("DPSHK"), had defaulted in instalment repayments of principal sums and interests in respect of credit facilities granted by Maybank International Labuan Branch ("Maybank").

On 30 September 2020, the Company, which is a Corporate Guarantor for term loan facility granted by Maybank to DPSHK, a wholly owned subsidiary of Dolomite Technology (HK) Limited which in turn is a wholly owned subsidiary of the Company received a Writ and Statement of Claim through its solicitor for an outstanding amount of USD36,599,125 (equivalent to approximately RM146,864,000) under the term loan facility.

On 18 November 2020, Maybank has filed a Notice of Application for summary judgement. On 18 March 2021, the High Court Judge allowed Maybank's summary judgement application with costs and ordered DPSHK to repay the outstanding amount of USD36,599,125 (equivalent to approximately RM146,864,000). The Judge dismissed the Defendants' Notice of Application to amend the defense and to include a counterclaim with costs.

On 24 March 2021, the Company filed Notices of Appeal against the above decisions given by the High Court Judge.

The directors of the Company are of the opinion that the preparation of the financial statements of the Group and the Company on a going concern basis remains appropriate given the following measures being taken or will be taken by the Group and the Company to mitigate the existence of material uncertainty on going concerns and to meet their obligations falling due within the next 12 months which, include amongst others:

- i) The Group will seek an amicable settlement with Maybank;
- ii) The Group is exploring with potential purchasers who indicated their interests to acquire the thermal power plant located in Shandong Province of People's Republic of China; and
- iii) The Group is looking at monetising certain property assets of the Group.

If these events are not forthcoming, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business. Accordingly, the financial statements of the Group and the Company may require adjustments relating to the recoverability and classification of recorded assets and liabilities that may be necessary should the Group and the Company be unable to continue as going concerns.

We were unable to obtain sufficient appropriate audit evidence regarding the disposal of the thermal power plant of the Group. The monetisation of certain property assets of the Group including obtaining the amicable settlement with the bank, remain in doubt at this stage.

2. As disclosed in Note 32 to the financial statements, financial guarantee is given by the Company to Maybank International Labuan Branch ("Maybank") for credit facilities to Dolomite Power-Shandong (HK) Ltd ("DPSHK").

The outstanding balances as at the end of the financial period ended 31 December 2020 owing to Maybank for the facilities granted to the said subsidiary amounted to RM150.855 million.

As DPSHK had defaulted in instalment repayments of principal sums and interests in respect of credit facilities, the financial guarantee given by the Company to the bank had crystallised. However, no provision for the financial guarantees has been made in the financial statements of the Company.

We were unable to obtain sufficient appropriate audit evidence in respect of the loans and borrowings, penalties, interest and other possible costs recorded and unrecorded in the financial statements of the Company for the period ended 31 December 2020.

3. As disclosed in Note 5(g) to the financial statements, included in property, plant and equipment are the property, plant and equipment amounting to RM175.947 million of a subsidiary of the Company, namely Shandong Dolomite Thermal Power Company Limited ("SDTP").

On 3 March 2017, SDTP has been issued with the Power Generation Certificate and commenced its full operation. However, with effect from 30 November 2017, SDTP has ceased its operation due to low demand from the customers. In addition, the assets of SDTP was frozen by the People's Court of Linyi County of Shandong Province as a result of the claims made by the suppliers and customers.

In the previous financial year ended 30 June 2019, the recoverable amount of the property, plant and equipment of SDTP of RM208 million as at 30 June 2019 was based on the valuation report issued by an external independent valuer in Shandong Province of China using depreciated replacement cost method and not taken into consideration that SDTP has ceased its operation and the condition of these assets are not known as it was frozen. During the financial period ended 31 December 2020, no independent professional valuer was appointed to assess the recoverable amount of the assets of SDTP and no impairment is made in the financial statements.

Accordingly, we were unable to perform sufficient appropriate audit procedures to satisfy ourselves as to whether any adjustments to these amounts were necessary to the financial statements.

As disclosed in Note 5(f) to the financial statements, the Group reclassified its land use rights to property, plant and equipment in the previous financial year. The Group also revalued its land use rights based on the valuation report issued by an external independent valuer in Shandong Province of China at fair value as at 30 June 2019. During the financial period, the land use rights have been restated at historical cost. These adjustments have not taken into consideration of the accounting policy adopted and accounting standards applicable to the Group.

Accordingly, our audit opinion on the financial statements during the previous financial year was modified on this matter. Our audit report on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.