PROTASCO BERHAD (548078 H)

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

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 2017. 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 2017.

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 2017, except for the adoption of the new and amendments to accounting standards that are relevant and effective for accounting periods on or after 1 January 2018, as follows:-

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
MFRS 2	Clarification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
MFRS 140	Transfer of Investment Property (Amendments to MFRS 140)
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above new and revised accounting standards do not have any financial impact on the results of the Group, other than as disclosed below:-

2. Changes in Accounting Policies (Cont'd)

(i) MFRS 9 Financial Instruments

MFRS 9 is effective for annual periods beginning on or after 1 January 2018. MFRS 9 introduces new requirements with impacts mainly relating to classification and measurement of financial instruments, impairment assessment based on the expected credit loss model and hedge accounting.

The Group has applied MFRS 9 retrospectively on the initial application date of 1 January 2018 and has elected not to restate comparatives.

The adoption of MFRS 9 did not have any significant effects on the interim financial report upon their initial application, except for the effect of applying the impairment assessment based on the expected credit loss model on trade receivables.

The Group applied simplified approach and calculated expected credit losses based on lifetime expected losses on all trade receivables. The Group established a provision matrix that is based on its historical credit loss experience with trade receivables of similar credit risk characteristics, adjusted for forward-looking factors specific to the category of receivables and the economic environment.

In summary, the impact of adopting MFRS 9 to opening balance are as below:-

Statement of Financial Position

	Impact of change in accounting policies		
In RM'000	**As previous reported**	**Retrospective adjustment MFRS 9**	**After adjustment**
Assets			
Receivables	419,127	(21,257)	397,870
Equity			
Retained profits	148,699	(21,151)	127,548
Non-controlling interests	25,830	(106)	25,724

(ii) MFRS 15: Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The application of MFRS 15 does not have a material effect on the Group's financial statements.

3. Declaration of Audit Qualification

The audited financial statements of the Group was not subject to any audit qualification.

4. Seasonal or Cyclical Factors

The Group's business operations for the quarter ended 30 June 2018 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 June 2018.

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 30.6.2018	6 months ended 30.6.2018	3 months ended 30.6.2018	6 months ended 30.6.2018
OPERATING SEGMENTS	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Maintenance	125,462	221,257	7,671	17,836
Construction	62,464	94,985	(185)	(1,519)
Property Development	754	1,494	(2,156)	(4,776)
Engineering Services	12,578	29,409	176	2,100
Trading & Manufacturing	53,045	78,296	1,028	1,394
Education	11,617	24,517	(2,030)	(3,593)
Others & Eliminations	(23,737)	(50,305)	(1,112)	(3,704)
GROUP	242,183	399,653	3,392	7,738

8. Valuation of Property, Plant and Equipment

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

9. Subsequent Events

There was no event subsequent to the end of the current financial period up to 23 August 2018, being the last practicable date from the date of the issue of this report that are expected to have a material impact on the Group.

10. Changes in Composition of the Group

There was no material changes in the composition of the Group during the financial period ended 30 June 2018.

11. Contingent Liabilities

The changes in contingent liabilities are as follows:

	As at 30.6.2018 (RM'000)	As at 31.12.2017 (RM'000)
Guarantees given to financial institutions for credit facilities granted to subsidiary companies	298,874	267,389
Corporate guarantees given to suppliers for credit facilities granted to a subsidiary	22,650	22,650
Guarantee given to Government of Malaysia for repayment of advance payment	8,700	8,700
Guarantee given to Government of Malaysia for performance bond for services rendered	4,408	5,477
Guarantee given to private entities for services rendered	13,525	12,439

12. Capital Commitments

	As at 30.6.2018
	RM'000
Purchase of property, plant and equipment	269

13. Dividend

In respect of the financial year ended 31 December 2017:-

(a) The Directors declared a second dividend of 2.5 sen per ordinary share amounting to RM12,372,733 computed based on the issued and paid-up share capital as at 30 June 2018 (excluding treasury shares) of 494,908,810 ordinary shares. The dividend was paid on 3 July 2018.

Accordingly, the financial statements for the current financial period do not reflect this dividend.

(b) First dividend of 3 sen per ordinary share amounting RM12,726,282 was paid on 26 January 2018.

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

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

For the financial period ended 30 June 2018, the Group recorded a total revenue of RM399.7 million, an increase of RM47.8 million or 14% higher than the total revenue reported in the preceding year corresponding period of RM351.9 million.

The Group recorded a loss after taxation attributable to the Group of RM3.1 million, due to losses from the Property Development, Education and Construction segments.

Analysis of segmental results is as follows:

i) <u>Maintenance</u>

	Qtr ended 30.6.2018 RM'000	**Qtr ended 30.6.2017** RM'000	**Y-T-D ended 30.6.2018** RM'000	**Y-T-D ended 30.6.2017** RM'000
Revenue	125,462	121,154	221,257	171,583
Profit Before Interest and Tax	7,681	10,728	17,846	15,525
Profit Before Tax ("PBT")	7,671	10,728	17,836	15,525

For the financial period ended 30 June 2018, Maintenance segment revenue increased by 29%, due to periodic works awarded in the previous financial quarter and carried forward to this quarter. In the previous year corresponding quarter, periodic works were awarded in July 2017, thus affecting the performance of this segment for the previous year corresponding quarter. PBT for the financial period ended 30 June 2018 also increased in line with the increase in revenue. However, PBT for the current quarter ended 30 June 2018 decreased due to higher overheads.

ii) Construction

	Qtr ended 30.6.2018 RM'000	Qtr ended 30.6.2017 RM'000	Y-T-D ended 30.6.2018 RM'000	Y-T-D ended 30.6.2017 RM'000
Revenue	62,464	44,603	94,985	115,561
(Loss)/Profit Before Interest and Tax	(174)	938	(1,388)	6,094
(Loss)/Profit Before Tax	(185)	926	(1,519)	6,068

For the financial period ended 30 June 2018, Construction segment revenue decreased mainly due to the completion of Perumahan Penjawat Awam Phase 1. Current on-going projects in this segment are Perumahan Penjawat Awam Phase 2, drainage & irrigation and overseas projects in Bangladesh & Sri Lanka. This segment incurred a loss before tax of RM1.5 million due to lower revenue and overheads. However, this segment is expected to contribute positively in the subsequent quarters from construction works for Perumahan Penjawat Awam Phase 2.

iii) Property Development

	Qtr ended 30.6.2018 RM'000	Qtr ended 30.6.2017 RM'000	Y-T-D ended 30.6.2018 RM'000	Y-T-D ended 30.6.2017 RM'000
Revenue	754	2,959	1,494	3,206
(Loss)/Profit Before Interest and Tax	(1,190)	6,649	(2,891)	5,985
(Loss)/Profit Before Tax	(2,156)	4,295	(4,776)	3,335

For the financial period ended 30 June 2018, Property Development segment recorded lower revenue due to no new development launched during the period under review. The revenue was derived only from rental of its investment properties. The loss is due to overheads and interest expenses on its investment properties.

The mixed development project, D'Perdana Telipot in Kota Bharu, Kelantan had launched in August 2018 and is expected to contribute to the future earnings of this segment.

iv) Engineering Services

	Qtr ended 30.6.2018 RM'000	Qtr ended 30.6.2017 RM'000	Y-T-D ended 30.6.2018 RM'000	Y-T-D ended 30.6.2017 RM'000
Revenue	12,578	12,773	29,409	32,797
Profit Before Interest and Tax	214	2,286	2,170	2,893
Profit Before Tax ("PBT")	176	2,241	2,100	2,809

Engineering Services segment revenue and PBT decreased by 10% and 25% respectively for the financial period ended 30 June 2018, mainly due to lower pavement evalution works awarded. In the previous year corresponding quarter, this segment incurred an one-off engineering consultancy services for highway and transport.

v) Trading and Manufacturing

	Qtr ended 30.6.2018 RM'000	Qtr ended 30.6.2017 RM'000	Y-T-D ended 30.6.2018 RM'000	Y-T-D ended 30.6.2017 RM'000
Revenue	53,045	22,361	78,296	40,497
Profit Before Interest and Tax	1,332	516	1,869	1,272
Profit Before Tax ("PBT")	1,028	333	1,394	1,036

For Trading and Manufacturing segment, revenue and PBT increased by 93% and 35% respectively for the financial period ended 30 June 2018, mainly due to additional periodic works undertaken by the maintenance segment, whereby this segment is the main supplier to the sub-contractors.

vi) Education

	Qtr ended 30.6.2018 RM'000	Qtr ended 30.6.2017 RM'000	Y-T-D ended 30.6.2018 RM'000	Y-T-D ended 30.6.2017 RM'000
Revenue	11,617	12,330	24,517	26,376
(Loss)/Profit Before Interest and Tax	(1,704)	484	(2,881)	1,020
(Loss)/Profit Before Tax	(2,030)	29	(3,593)	35

The Education segment decreased in both revenue and PBT were due to low students intake in the current quarter. The student population at the end of the financial quarter decreased to 2,920 as compared with preceding year corresponding quarter of 3,594. The students intake is expected to improved in November 2018 semester.

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

Revenue for the current quarter ended 30 June 2018 increased by 54% as compared to the preceding quarter. However, the profit before taxation for the current quarter ended 30 June 2018 was affected by losses in the Property Development and the Education segments.

16. Commentary on Prospects

The prospects of the Group for the remaining quarters is expected to continue to be challenging due to delays in commencement of certain projects and the allocation of funding under the Maintenance segment. Nevertheless, the Group is actively pursuing various other opportunities to improve the Construction and Maintenance segments. The on-going works on Perumahan Penjawat Awam Phase 2 is progressing as scheduled and is expected to contribute positively to the Group. Maintenance segment is expected to be the main revenue contributor to the Group.

The Property Development segment had launched its D'Perdana Telipot project in Kota Bharu, Kelantan in August 2018, with an estimated Gross Development Value of RM166 million.

The Education segment has started its rationalisation of its existing faculties and cost optimisation exercise. These measures are expected to reduce the operating overheads of this segment to enable it to return to profitability.

In addition, the Group has also undertaken the right sizing of its operations to meet the challenging business environment in the near future.

17. Profit Forecast or Profit Guarantee

Not applicable.

18. Taxation

Taxation represents current year provision.

The effective tax rate for the current quarter was higher than the statutory tax rate principally due to losses of certain subsidiary companies where no group relief is granted and non- allowable expenses.

19. Profit after Taxation

	Current Period To Date 30.6.2018 RM'000	Corresponding Period To Date 30.6.2017 RM'000
Profit after taxation for the financial period is arrived at after charging / (crediting):		
Depreciation of property, plant and equipment	7,118	7,556
Depreciation of investment properties	910	918
Interest expense	4,952	3,653
Loss/(Gain) on disposal of property, plant and equipment	47	(97)
Interest income	(1,136)	(1,131)
Impairment losses on receivables	785	-
Write back of impairment losses on:		
- receivables	-	(382)
- investment in associate	-	(2)

20. Corporate Proposals

There was no corporate proposal announced but not completed in the current quarter up to 23 August 2018, being the last practicable date from the date of the issue of this report.

21. Borrowings and Debt Securities

	As at 30.6.2018	As at 30.6.2017
	RM'000	RM'000
Secured:		
- Short term borrowings	72,122	184,503
- Long term borrowings	106,419	95,126
- Bank overdrafts	32,725	47,314
Total Secured Borrowings	211,266	326,943
Unsecured:		
- Short term borrowings	17,532	19,932
Total Unsecured Borrowings	17,532	19,932
Total borrowings	228,798	346,875

The total borrowings decreased from RM347 million as at 30 June 2017 to RM229 million as at 30 June 2018 due to full settlement of the project financing for Perumahan Penjawat Awam Phase 1. As a result, the net gearing ratio improved from 0.69 times as at 30 June 2017 to 0.45 times as at 30 June 2018.

There is no borrowing denominated in foreign currency. The effective interest rate range from 2.56% to 6.80% for the conventional borrowings. The effective profit rate for the Islamic borrowings range from 4.94% to 5.85%.

22. Trade Receivables

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

	As at 30.6.2018	As at 30.6.2017
	RM'000	RM'000
Less than 6 months	240,258	200,979
6 to 12 months	45,559	68,734
1 to 2 years	45,508	14,931
More than 2 years	8,929	16,921
	340,254	301,565

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

23. Share Capital

	Number of Shares	Amount
	'000	RM'000
Issued and fully paid:		
At 1 January 2018	424,693	212,346
Issuance of shares pursuant to bonus issue	70,699	35,350
At 30 June 2018	495,392	247,696

During the financial period, the issued and fully paid up share capital increased from 424,692,914 ordinary shares to 495,392,310 ordinary shares pursuant to the bonus issue on the basis of 1 new bonus share for every 6 existing shares held.

24. Treasury Shares

There is no movement in share buy back during the financial period.

25. Cash and Bank Balances

Included in cash and bank balances of the Group is a sum of RM1.57 million (2017: RM1.57 million) held under a Housing Development Account pursuant to Section 7A of the Housing Development (Control & Licensing) Act 1966.

26. Off Balance Sheet Financial Instruments

The Group does not have any off balance sheet financial instruments as at the date of this announcement.

27. 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, our 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.

27. 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 our two former directors, namely the 2nd and the 3rd defendant for, among others, the refund of the Purchase Consideration and Advance.

The total amount claimed against PT ASU and the two former directors ("**2nd and 3rd Defendants**") are as follows:-

<u>Against PT ASU</u>

i. A payment of USD22,000,000;

ii. Pre-judgement interest on USD22,000,000 pursuant to Section 11 of the Civil Law Act 1956 from the date of the suit until the date of judgement at an interest rate of 5% per annum;

iii. Post-judgement interest on USD22,000,000 pursuant to Order 42 Rule 12 of the Rules of Court 2012 from the date of judgement until full and final settlement thereof at an interest rate of 5% per annum; and

iv. Damages for the breach of the Restated SPA.

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

i. A payment of USD27,000,000 (including the Advance);

ii. Pre-judgement interest on USD27,000,000 pursuant to Section 11 of the Civil Law Act 1956 from the date of the suit until the date of judgement at an interest rate of 5% per annum;

iii. Post-judgement interest on USD27,000,000 pursuant to Order 42 Rule 12 of the Rules of Court 2012 from the date of judgement until full and final settlement thereof at an interest rate of 5% per annum;

iv. Damages for fraud and conspiracy; and

v. General damages, aggravated and exemplary.

27. 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 2018, allowed the Company 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 2018 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 are now fixed for case management on 26 September 2018. Meanwhile, PT ASU had filed an application to intervene the 2nd and 3rd Defendants' Motion. PT ASU's application to intervene the 2nd and 3rd Defendants' Motion was allowed on 22 June 2018.

The KL High Court has fixed 18 February 2019 to 28 February 2019 and 1 March 2019 for trial. There are however, several other interlocutory applications files by the parties. These interlocutory applications are procedural in nature. None of these interlocutory applications will finally dispose of the suit against the PT ASU nor the 2nd or 3rd Defendants without going for trial during which the allegations will be heard on its merits.

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 previous financial year.

27. 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

PTSB, a wholly owned subsidiary of our Company, had entered into an agreement dated 4 February 2013 ("**Agreement**") to undertake coal trades with Goldchild.

Pursuant to the terms of the Agreement and to facilitate coal purchases, a deposit ("**Deposit**") of USD5,161,290 (approximately RM16,000,000) was paid by PTSB to Goldchild on 4 February 2013. The Deposit is to be deducted in stages against future coal trades.

On 19 July 2013, PTSB entered into a Coal Stockpile Joint Venture Agreement with Goldchild to provide a sum of not exceeding USD900,000 (approximately RM2,904,000) for the purpose of the joint venture to purchase coal in Indonesia and resell the coal to potential buyers, subject to such terms and conditions as stipulated in the Coal Stockpile Joint Venture Agreement.

On 21 November 2014, PTSB filed a legal suit against Goldchild and one of the former directors of our Company, OKA, when our Company uncovered that OKA has an undisclosed interest in Goldchild.

The status of this suit is as follows:-

OKA filed an application to strike out the legal suit against him and the application was dismissed on 19 October 2015. Thereafter, OKA filed an appeal against the SA High Court decision to the Court of Appeal. OKA's appeal has been struck off with liberty to file afresh and with no order as to costs by the Court of Appeal on 17 May 2017.

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 2017.

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 previous financial year.

27. 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")

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"). It has been fixed for Hearing on 3 October 2018;

(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"). It has been fixed for Hearing on 3 October 2018; and

(c) An ex-parte application for Fortuna Injunction ("the Fortuna Injunction Application') against Kuasatek which was fixed for hearing on 9 August 2018. On 9 August 2018, an ad interim order was granted by the KL High Court until the disposal of the inter-parte hearing of the Fortuna Injunction Application which is fixed on 28 August 2018, restraining Kuasatek from enforcing and/or executing the Adjudication Decision.

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

Meanwhile, Kuasatek had, on 9 August 2018, served on HCM, an application by way of Orginating Summons for an order that the Adjudication Decision dated 4 July 2018 be enforced as a judgement against HCM in the KL High Court pursuant to Section 28(1) of the Construction Industry Payment Adjudication Act 2012 ("the Enforcement Application"). It has been fixed for Hearing on 3 October 2018.

28. Earnings Per Share

	3 months ended 30.6.2018	6 months ended 30.6.2018
Net loss for the financial quarter (RM'000)	(959)	(3,100)
Weighted average number of ordinary shares in issue ('000)	494,909	494,909
Basic loss per share (sen)	(0.19)	(0.63)

The Company has not issued any dilutive potential ordinary shares and hence, the diluted loss per share is equal to the basic loss per share.

29. 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 28 August 2018.