GLOBALTEC FORMATION BERHAD

(Incorporated in Malaysia)

Company No: 953031-A

SECOND QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDING 30 JUNE 2014

Contents **Page**

Contents	Page
Condensed unaudited consolidated statement of profit or loss and other comprehensive income……………………………………………………………	**2**
Condensed unaudited consolidated statement of financial position………..	**3**
Condensed unaudited consolidated statement of changes in equity………..	**4**
Condensed unaudited consolidated statement of cash flows………………..	**5**
Notes to the interim financial report……………………………………………	**7**
Other notes pursuant to Bursa Malaysia Securities Berhad's Main Market Listing Requirements: Chapter 9, Appendix 9B, Part A …………………..	**12**

Condensed unaudited consolidated statement of profit or loss and other comprehensive income for the financial period ended 31 December 2013

	Current quarter 31.12.2013 RM'000	Preceding year corresponding quarter 31.12.2012 RM'000	Current period 31.12.2013 RM'000	Preceding year corresponding period 31.12.2012 RM'000
Revenue	97,920	100,298	192,798	202,571
Cost of sales	(80,278)	(85,137)	(161,311)	(169,161)
Gross profit	17,642	15,161	31,487	33,410
Operating expenses	(16,298)	(13,919)	(29,352)	(28,804)
Other operating income	1,494	2,397	2,547	4,116
Results from operating activities	2,838	3,639	4,682	8,722
Finance income	164	170	325	288
Finance costs	(1,150)	(1,384)	(2,396)	(2,636)
Profit from operations	1,852	2,425	2,611	6,374
Share of loss of equity accounted investee, net of tax	-	(395)	-	(646)
Profit before tax	1,852	2,030	2,611	5,728
Tax expense	(1,172)	(1,857)	(1,887)	(3,312)
Profit for the period	680	173	724	2,416
Other comprehensive loss, net of tax				
Foreign currency translation differences for foreign operations	(467)	(10)	(2,019)	(1,333)
Total comprehensive income/(loss) for the period	213	163	(1,295)	1,083
Profit attributable to:				
Owners of the Company	585	150	486	2,387
Non-controlling interests	95	23	238	29
Profit for the period	680	173	724	2,416
Total comprehensive income/(loss) attributable to:				
Owners of the Company	22	95	(1,827)	1,162
Non-controlling interests	191	68	532	(79)
Total comprehensive income/(loss) for the period	213	163	(1,295)	1,083
Basic earnings per ordinary share (sen)	0.011	0.003	0.009	0.045
Diluted earnings per ordinary share (sen)	N/A	0.003	N/A	0.043

(The condensed unaudited consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the Annual Financial Report for the year ended 30 June 2013)

Condensed unaudited consolidated statement of financial position as at 31 December 2013

	As at 31.12.2013 RM'000	Audited 30.6.2013 RM'000
Non current assets		
Property, plant and equipment	201,065	209,455
Biological assets	38,611	38,611
Investment property	11,045	11,045
Intangible assets	106,909	106,595
Investment in associate	7,179	7,179
Deferred tax assets	1,998	1,998
Total non current assets	366,807	374,883
Current assets		
Receivables, deposits and prepayments	89,904	83,424
Inventories	50,519	52,475
Other investments	425	407
Current tax assets	4,405	5,140
Cash and cash equivalents	46,981	38,212
Total current assets	192,234	179,658
TOTAL ASSETS	559,041	554,541
Equity attributable to owners of the Company		
Share capital	538,174	527,365
Share premium	105,473	105,473
Business combination deficit	(157,064)	(157,064)
Reserves	(99,786)	(93,463)
	386,797	382,311
Non-controlling interests	21,967	22,192
Total equity	408,764	404,503
Long term and deferred liabilities		
Borrowings	29,246	33,568
Deferred tax liabilities	15,354	15,271
Total long term and deferred liabilities	44,600	48,839
Current liabilities		
Payables and accruals	66,075	61,280
Government grant	18	28
Tax liabilities	1,568	977
Provision for warranties	638	1,824
Borrowings	37,378	37,090
Total current liabilities	105,677	101,199
Total liabilities	150,277	150,038
TOTAL EQUITY AND LIABILITIES	559,041	554,541
Net assets per share attributable to owners of the Company (RM)	0.072	0.072

(The condensed unaudited consolidated statement of financial position should be read in conjunction with the Annual Financial Report for the year ended 30 June 2013)

Condensed unaudited consolidated statement of changes in equity for the financial period ended 31 December 2013

	Share capital	Share premium	Capital reserve	Revaluation reserve	Foreign currency translation reserve	Fair value adjustment reserve	Business combinatinon deficit	Accumulated losses	Total	Non-controlling interests	Total equity
	← Attributable to owners of the Company →										
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2013	527,365	105,473	6,041	-	(678)	(40,155)	(157,064)	(58,671)	382,311	22,192	404,503
Total comprehensive (loss)/income for the period	-	-	-	-	(2,313)	-	-	486	(1,827)	532	(1,295)
Contingent consideration paid on acquisition of a subsidiary	10,809	-	-	-	-	(4,324)	-	-	6,485	-	6,485
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(600)	(600)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	(172)	(172)	(157)	(329)
At 31 December 2013	538,174	105,473	6,041	-	(2,991)	(44,479)	(157,064)	(58,357)	386,797	21,967	408,764

	Share capital	Share premium	Capital reserve	Revaluation reserve	Foreign currency translation reserve	Fair value adjustment reserve	Business combinatinon deficit	Accumulated losses	Total	Non-controlling interests	Total equity
	← Attributable to owners of the Company →										
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2012											
- As previously stated	527,365	105,473	6,041	5,559	47	(40,155)	(157,064)	(39,275)	407,991	22,382	430,373
- Reclass of revaluation reserves on application of 'Deemed Cost' exemption under MFRS 1 (*)	-	-	-	(5,559)	-	-	-	5,559	-	-	-
At 1 July 2012, restated	527,365	105,473	6,041	-	47	(40,155)	(157,064)	(33,716)	407,991	22,382	430,373
Total comprehensive (loss)/income for the period	-	-	-	-	(1,225)	-	-	2,387	1,162	(79)	1,083
At 31 December 2012	527,365	105,473	6,041	-	(1,178)	(40,155)	(157,064)	(31,329)	409,153	22,303	431,456

(The condensed unaudited consolidated statement of changes in equity should be read in conjunction with the Annual Financial Report for the year ended 30 June 2013)

Condensed unaudited consolidated statement of cash flows for the financial period ended 31 December 2013

	Current period 31.12.2013 RM'000	Preceding year corresponding period 31.12.2012 RM'000
Cash flows from operating activities		
Profit before tax	2,611	5,728
Adjustments for:		
Amortisation of development costs	164	461
Amortisation of government grant	(10)	(152)
Changes in fair value of contingent consideration payable	(482)	-
Changes in fair value of other investment	(17)	115
Changes in fair value of derivatives	-	(8)
Depreciation	12,715	14,116
Development costs written off	-	129
Finance costs	2,396	2,636
Finance income	(325)	(288)
Loss/(Gain) on disposal of property, plant and equipment	15	(3)
Property, plant and equipment written off	-	229
Provision for warranties	956	1,130
Share of loss of equity accounted investee	-	646
Unrealised foreign exchange loss	1,884	233
Operating profit before working capital changes	19,908	24,972
Changes in working capital:		
Inventories	1,956	(3,729)
Receivables, deposits and prepayments	(6,478)	(870)
Payables and accruals	8,079	3,010
Cash generated from operations	23,464	23,383
Warranties paid	(2,142)	(805)
Taxation paid (net)	(536)	(5,195)
Net cash generated from operating activities	20,786	17,383
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,663)	(6,724)
Development costs paid	(479)	(73)
Interest received	325	288
Proceeds from disposal of property, plant and equipment	81	117
Profit guarantee shortfall compensation received	1,663	-
Acquisition of minority interest in a subsidiary	(220)	-
Net cash used in investing activities	(6,293)	(6,392)

Condensed unaudited consolidated statement of cash flows for the financial period ended 31 December 2013
(continued)

	Current period 31.12.2013 RM'000	Preceding year corresponding period 31.12.2012 RM'000
Cash flows from financing activities		
Interest paid	(2,396)	(2,636)
Increase in deposits pledged	-	190
Dividends paid to non-controlling interest	(600)	-
Redemption of preference shares in a subsidiary	(55)	-
Repayment of bank borrowings – net	(3,954)	1,204
Net cash used in financing activities	(7,005)	(1,242)
Net increase in cash and cash equivalents	7,488	9,749
Effect of foreign exchange fluctuation on cash and cash equivalents	(535)	(330)
Cash and cash equivalents at beginning of period	25,260	24,262
Cash and cash equivalents at end of period	32,213	33,681
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	30,956	31,334
Deposits with licensed banks	16,025	12,656
	46,981	43,990
Less:		
Bank overdrafts	(10,740)	(6,342)
Deposits pledged as security	(4,028)	(3,967)
	32,213	33,681

(The condensed unaudited consolidated statement of cash flows should be read in conjunction with the Annual Financial Report for the year ended 30 June 2013)

NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of preparation

This interim financial report of Globaltec Formation Berhad ("GFB" or the "Company") and its subsidiaries ("Group") is unaudited and has been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134, *Interim Financial Reporting* and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("Listing Requirements").

A2. Significant Accounting Policies

Save as disclosed below, the significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 30 June 2013.

Significant changes in accounting policies are as below:

i) Basis of consolidation

The Group adopted MFRS 10, *Consolidated Financial Statements* in the current financial period. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.
- The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider *de facto* power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

ii) Fair value measurements

From 1 July 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures that will be disclosed in the audited financial statements of the Group for the financial year ending 30 June 2014.

The Group has not adopted the following standards that have been issued by the Malaysian Accounting Standards Board but are not yet effective for the Group.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interest in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

The Group plan to apply the above mentioned standards, amendments and interpretations from the annual period beginning on 1 July 2014.

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures*

The initial application of the abovementioned standards, amendments or interpretations are not expected to have any material impacts to the financial statements of the Group except as mentioned below:

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is expected that the Group's other investment in unquoted shares may be measured at fair value through other comprehensive income.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 9.

A3. Qualified audit report

The preceding annual audited financial statements of the Group were reported on without any qualification.

A4. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial period ended 31 December 2013.

A5. Seasonal and cyclical factors

There were no material seasonal or cyclical factors affecting the income and performance of the Group.

A6. Changes in estimates

There were no changes in the estimates of amounts which give a material effect for the financial period ended 31 December 2013.

A7. Dividends

The Board does not recommend any dividend for the financial period ended 31 December 2013.

A8. Valuation of property, plant and equipment

The Group measures and records its land and buildings at cost and does not revalue them.

A9. Material events subsequent to the period end

There were no material events subsequent to the financial period end.

A10. Changes in composition of the Group

Save as disclosed below, there were no changes in the Group structure for the financial period and up to the date of this report.

On 1 August 2013, the Company had announced that Proreka (M) Sdn Bhd ("Proreka"), a wholly owned subsidiary of the Group had on 1 August 2013 acquired the remaining 14.67% equity interest, comprising 440,000 ordinary shares of RM1.00 each in Proreka Tech Sdn Bhd ("PTSB") for a cash consideration of RM220,000. Consequently, PTSB has become a wholly owned subsidiary of the Group.

A11. Debt and equity securities

Save as disclosed below, there were no issuances, cancellations, share splits, repurchases and repayments of the Company's debt or equity securities for the financial period ended 31 December 2013.

As part of the consideration on the acquisition of Proreka (M) Sdn Bhd ("Proreka") by AutoV Corporation Sdn Bhd ("AutoV"), a wholly owned subsidiary of the Company (which was completed on 9 November 2011), 10.9 million redeemable convertible preference shares in AutoV Systems Sdn Bhd ("ASSB RCPS") were issued to the vendors of Proreka ("Proreka Vendors"). The ASSB RCPS were convertible to ordinary shares of RM0.10 each in GFB ("GFB Shares") at a conversion ratio of 119 GFB Shares for every 6 ASSB RCPS held, upon inter-alia the profit guarantee from the Proreka Vendors being met or any shortfall arising therefrom being compensated in full by the Proreka Vendors. Please refer to Note B4 for status of the profit guarantee. Any unconverted ASSB RCPS shall be automatically redeemed at its par value by 31 December 2013.

Pursuant to the Proreka Vendors having compensated the profit guarantee shortfall for the twelve-month period ended 31 December 2012 (as announced by the Company on 6 December 2013), 108,091,663 GFB Shares were allotted and issued on 9 December 2013 to the Proreka Vendors as a result of the conversion of 5.45 million ASSB RCPS.

As announced by the Company on 2 January 2014, the remaining 5.45 million ASSB RCPS which were not eligible for conversion, as a result of the profit guarantee shortfall for the twelve-month period ended 31 December 2011 which were not made good by the Proreka Vendors has been redeemed at its par value of RM0.01 each, equivalent to a total amount of RM54,500 on 31 December 2013.

A12. Segmental information

Analysis by business segments being the primary basis of the Group's segmental reporting for the financial period ended 31 December 2013 is as follows:

	Integrated manufacturing services RM'000	Resources RM'000	Investment holding RM'000	Consolidation adjustments RM'000	Consolidated RM'000
Segment revenue					
Revenue from external customers	189,231	3,567	-	-	192,798
Inter-segment revenue	-	-	2,477	(2,477)	-
Total revenue	189,231	3,567	2,477		192,798
Segment profit/(loss)	1,590	190	831	-	2,611
Segment assets	396,677	81,323	58,447	(51,749)	484,698
Goodwill on consolidation					74,343
Consolidated total assets					559,041

A13. Contingent liabilities/assets

As at 31 December 2013, the Company had executed corporate guarantees in favour of licensed financial institutions of up to a limit of RM102.4 million for credit facilities granted to subsidiaries and a jointly controlled entity. Out of the total banking facilities secured by corporate guarantees by the Company, a total of RM46.4 million was outstanding at the period end.

The corporate guarantee of RM5.0 million to the jointly controlled entity, together with advances amounting to RM0.9 million as at 31 December 2013 by the Group to the jointly controlled entity, represents a form of provision of financial assistance by the Company in accordance to paragraph 8.23(1)(ii) of the Listing Requirements. Out of the total banking facilities granted to the jointly controlled entity and secured by a corporate guarantee by the Company, a total of RM3.2 million was outstanding at the period end.

A14. Capital commitments

Capital commitments as at 31 December 2013 were as follows:

	RM'000
Purchase of plant and equipment:	
- Approved and contracted for	1,015
- Approved but not contracted for	560
Lease agreement ^	4,053
Total	5,628

Note:

^ *Based on the remaining lease obligation of a subsidiary with CIMB Islamic Trustee Berhad (As Trustee for the Amanah Raya Real Estate Investment Trust) ("CIMB Trustee") to lease certain leasehold land and buildings from CIMB Trustee.*

OTHER NOTES PURSUANT TO BURSA MALAYSIA'S MAIN MARKET LISTING REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A

B1. Review of performance

The Integrated Manufacturing Services ("IMS") segment comprises the following divisions:

(i) precision machining, stamping and tooling ("PMST");
(ii) semiconductor; and
(iii) automotive components design and manufacturing ("Automotive").

The Resources segment is principally involved in the harvesting and selling of fresh fruit bunches of oil palm ("FFB").

The Group registered a revenue of RM97.9 million for the current quarter compared to RM100.3 million for the preceding year corresponding quarter. The decline of RM2.4 million or 2.4% revenue was due to the IMS segment's revenue which fell from RM98.7 million to RM95.9 million. The decline of IMS segment's revenue was mainly attributable to the decrease in revenue contribution by the PMST division and Semiconductor division of RM2.7 million and of RM0.7 million respectively, due to weaker demand by customers in the electrical and electronics industry. The decline was however offset partially by the revenue increase by the Resources segment of RM0.4 million, with revenue posted of RM2.0 million compared to RM1.6 million for the preceding year corresponding quarter. The revenue increase was mainly due to increase in FFB prices. The Automotive division also registered an increase of RM0.4 million in revenue with RM49.4 million posted. This was due to improvement in demand and new car launches by a major customer.

The Group registered a net profit of RM0.6 million for the current quarter compared to RM0.2 million for the preceding year corresponding quarter. This was achieved on the back of all segments registering an improvement in their results. Included in the current quarter was a fair value loss on the contingent consideration payable to the Proreka Vendors of RM1.7 million. Excluding this fair value loss, the Group chalked up an increase of RM2.1 million in its net profit for the current quarter vis-à-vis the preceding year corresponding quarter. The Group's current quarter results had also been adversely affected by foreign exchange ("forex") loss of RM2.1 million mainly due to weakening of Indonesian Rupiah as compared to a forex gain of RM0.1 million in the preceding year corresponding quarter.

The IMS and Resources segment recorded a net profit of RM1.7 million and RM0.3 million respectively for the current quarter compared to a net loss of RM0.7 million and RM0.5 million respectively in the preceding year corresponding quarter. The Investment Holding segment, however registered a net loss of RM1.4 million for the current quarter compared to a net profit of RM0.2 million in the preceding year corresponding quarter. This was due mainly to the abovementioned fair value loss of RM1.7 million on the contingent consideration payable to the Proreka Vendors.

B2. Material changes from the preceding quarter

Comparing quarter on quarter, the Group's revenue increased by RM3.0 million or 3.2% from RM94.9 million for the preceding quarter to RM97.9 million for the current quarter. The IMS and Resources segments registered an increase of RM2.5 million and RM0.5 million respectively in their revenue contribution. Save for the PMST division, all the other divisions within the IMS segment generated increase in the revenue contribution quarter on quarter. The decline in the revenue of the PMST division was due to the demand is generally softer for manufacturing of the electrical and electronics in the last quarter of calendar year. For the plantation business of the Resources segment, the revenue increase was due to higher FFB production and higher FFB prices.

The Group recorded a net profit of RM0.6 million for the current quarter as compared to a net loss of RM0.1 million for the previous quarter. Included in the current quarter and previous quarter was the fair value loss of RM1.7 million and a fair value gain of RM2.2 million respectively, on the contingent consideration payable. Excluding these fair value changes, the Group had in fact registered a turnaround from a net loss of RM2.1 million in the previous quarter to a net profit of RM2.3 million for the current quarter.

In line with the increase in revenue, both the IMS and Resources segments registered improvement in their results contribution. However, the results of the Investment Holding segment decreased from a marginal net profit of RM38,000 in the preceding quarter to a net loss of RM1.4 million due mainly to the fair value effects on the contingent consideration payable as mentioned above.

B3. Prospects

The uncertainty of the global economy growth and lacklustre local business environment continues to pose a challenging outlook for the Group's businesses in the IMS segment. The improving trend of the crude palm oil prices provides a better prospect for the plantation business in the Resources segment.

Based on the above, the Board is of the opinion that the Group's performance for the remaining period to the end of the financial year, shall be challenging.

B4. Profit Forecast and Profit Guarantee

B4.1 Profit Forecast

Not applicable as no profit forecast was published.

B4.2 Profit Guarantee

a) Profit Guarantee on Acquisition of Proreka

The acquisition of Proreka as mentioned in Note A11 entailed the Proreka Vendors providing a profit guarantee that Proreka shall attain a consolidated net profit of RM4.5 million ("Guaranteed Sum") for each of the twelve months period ended 31 December 2011 and 2012 or a cumulative consolidated net profit of RM9.0 million ("Aggregate Guaranteed Sum") for the twenty-four months ended 31 December 2012.

Based on audit reports dated 27 November 2013, for the twelve months period ended 31 December 2011 and 31 December 2012, Proreka achieved an audited consolidated net loss of RM2.6 million and audited consolidated net profit of RM2.8 million respectively. These represents a shortfall of RM7.1 million and RM1.7 million against the Guaranteed Sum for the twelve months period ended 31 December 2011 and 31 December 2012 respectively and a shortfall of RM8.8 million against the Aggregate Guaranteed Sum.

The Proreka Vendors have on 6 December 2013 compensated in cash for the shortfall of RM1.7 million against the Guaranteed Sum in respect of the twelve-month period ended 31 December 2012 ("Profit Guarantee Compensation"). The Proreka Vendors forgo the option to make good the shortfall from the Guaranteed Sum of RM7.1 million in respect of the twelve-month period ended 31 December 2011.

b) Profit Guarantee on Acquisition of Malgreen Progress Sdn Bhd and Cergas Fortune Sdn Bhd

The acquisition of the entire equity interest in Malgreen Progress Sdn Bhd ("MPSB") and Cergas Fortune Sdn Bhd ("CFSB") by Jotech Holdings Sdn Bhd ("JHSB"), a wholly owned subsidiary of the Company which was completed on 22 March 2011 ("Acquisition"), entailed the vendors of MPSB and CSFB ("Vendors") providing profit guarantees to JHSB ("MPSB Profit Guarantee" and "CFSB Profit Guarantee" respectively). The Vendors guarantee that MPSB and CFSB shall attain the following earnings before interest and tax ("EBIT"):

Twelve-month period ending 31 December	EBIT (RM'000) MPSB Profit Guarantee	CFSB Profit Guarantee
2011	2,700	300
2012	2,700	300
2013	2,700	300
Total	8,100	900

As announced by the Company on 29 January 2014, based on audit reports dated 28 January 2014, for the thirty-six months ended 31 December 2013, MPSB and CFSB have achieved total EBIT of RM8.39 million and RM1.02 million respectively. Accordingly, the MPSB Profit Guarantee and CFSB Profit Guarantee have been met.

B5. Corporate proposals

There were no corporate proposals announced but not completed within 7 days from the date of issue of this report.

B6. Taxation

The tax expense for the current quarter and financial period are as follows:

	Current quarter 31.12.2013 RM'000	Financial period 31.12.2013 RM'000
Tax expense		
Malaysia		
- current year	1,241	2,120
- over provision in prior year	(78)	(78)
Overseas – current	33	(107)
Deferred tax expense		
Malaysia	(24)	(48)
Total income tax expense	1,172	1,887

The effective tax rate for the current quarter and current period is higher than the statutory tax rate principally due mainly to losses incurred by the semiconductor division (a division within the IMS segment).

B7. Borrowings

The Group's borrowings as at 31 December 2013, which were all secured, were as follows:

	RM'000
Current	37,378
Non-current	29,246
Total Group Borrowings	66,624

The borrowings denominated in foreign currencies and RM as at 31 December 2013 was as follows:

	RM'000
Foreign Currencies:	
- [1] USD1,953,000 @ RM3.2796/USD1	6,405
- [2] RMB5,450,000 @ RM0.5411/RMB1	2,949
- [3] IDR22,664,348,000@ RM0.0269/IDR100	6,097
RM	51,173
Total Group Borrowings	66,624

Foreign currencies:

[1] USD	United States of America Dollar
[2] RMB	Renminbi of The People's Republic of China
[3] IDR	Indonesian Rupiah of Indonesia

B8. Material litigation

There is no material litigation as at the date of this report.

B9. Notes to the statement of profit or loss and other comprehensive income

Other than interest income and finance costs, included in the statement of profit or loss and other comprehensive income are the following credits/(charges):

	Current quarter 31.12.2013 RM'000	Preceding year corresponding quarter 31.12.2012 RM'000	Current period 31.12.2013 RM'000	Preceding year corresponding period 31.12.2012 RM'000
Amortisation of development costs	(75)	(224)	(164)	(461)
Amortisation of government grant	5	126	10	152
Changes in fair value of contingent consideration payable	(1,680)	-	482	-
Changes in fair value of derivatives	-	-	-	8
Changes in fair value of other investment	3	(17)	17	(115)
Depreciation	(6,310)	(7,023)	(12,715)	(14,116)
Development costs written off	-	(129)	-	(129)
Foreign exchange (loss)/gain	(2,145)	119	(2,426)	(1,049)
(Loss)/Gain on disposal of property plant and equipment	(3)	(6)	(15)	3
Property, plant and equipment written off	-	(105)	-	(229)
Provision for warranties	(479)	(525)	(956)	(1,130)
Rental income	3	1	6	3

B10. Realised and unrealised losses

The breakdown of accumulated losses of the Group into realised and unrealised losses are as follows:

	As at 31.12.2013 RM'000	As at 30.6.2013 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(45,468)	(47,008)
- Unrealised	(9,519)	(8,882)
	(54,987)	(55,890)
The share of accumulated losses from a jointly controlled entity:		
- Realised	(1,842)	(1,842)
The share of accumulated losses from an associate:		
- Realised	(69)	(69)
Consolidation adjustments	(1,459)	(870)
Total accumulated losses	(58,357)	(58,671)

B11. Earnings per share

Basic earnings per share
The basic earnings per share for the Group is computed as follows:

	Current quarter 31.12.2013	Preceding year corresponding quarter 31.12.2012	Current period 31.12.2013	Preceding year corresponding period 31.12.2012
Profit attributable to owners of the Company (RM'000)	585	150	486	2,387
Weighted average number of ordinary shares ('000)	5,381,738	5,273,646	5,287,158	5,273,646
Basic earnings per share (sen)	0.011	0.003	0.009	0.045

Diluted earnings per share
Diluted earnings per share for the current quarter and period are not applicable as there are no dilutive instruments as at period end.

The diluted earnings per share of the Group for the preceding year corresponding quarter and period were arrived as follows:

	Preceding year corresponding quarter 31.12.2012	Preceding year corresponding period 31.12.2012
Profit attributable to owners of the Company (RM'000)	150	2,387
Weighted average number of ordinary shares (basic) ('000)	5,273,646	5,273,646
Effect of conversion of ASSB RCPS ('000)	216,183	216,183
Weighted average number of ordinary shares (diluted) ('000)	5,489,829	5,489,829
Diluted earnings per share (sen)	0.003	0.043