# GLOBALTEC FORMATION BERHAD

**(Incorporated in Malaysia)**

**Company No: 953031-A**

# THIRD QUARTERLY REPORT
# FOR THE FINANCIAL YEAR ENDING 30 JUNE 2014

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**Condensed unaudited consolidated statement of profit or loss and other comprehensive income for the financial period ended 31 March 2014**

| | Current quarter 31.3.2014 RM'000 | Preceding year corresponding quarter 31.3.2013 RM'000 | Current period 31.3.2014 RM'000 | Preceding year corresponding period 31.3.2013 RM'000 |
|---|---|---|---|---|
| **Revenue** | 76,923 | 87,864 | 269,721 | 290,435 |
| Cost of sales | (65,743) | (74,031) | (227,054) | (243,192) |
| **Gross profit** | 11,180 | 13,833 | 42,667 | 47,243 |
| Operating expenses | (16,596) | (17,553) | (45,948) | (46,357) |
| Other operating income | 4,719 | 3,570 | 7,266 | 7,686 |
| **Results from operating activities** | (697) | (150) | 3,985 | 8,572 |
| Finance income | 126 | 107 | 451 | 395 |
| Finance costs | (1,021) | (1,237) | (3,417) | (3,873) |
| **(Loss)/Profit from operations** | (1,592) | (1,280) | 1,019 | 5,094 |
| Share of loss of equity accounted investees, net of tax | - | - | - | (646) |
| **(Loss)/Profit before tax** | (1,592) | (1,280) | 1,019 | 4,448 |
| Tax expense | (1,382) | (1,673) | (3,269) | (4,985) |
| **Loss for the period** | (2,974) | (2,953) | (2,250) | (537) |
| **Other comprehensive income/(loss), net of tax** | | | | |
| Foreign currency translation differences for foreign operations | 547 | 266 | (1,472) | (1,067) |
| **Total comprehensive loss for the period** | (2,427) | (2,687) | (3,722) | (1,604) |
| **(Loss)/Profit attributable to:** | | | | |
| Owners of the Company | (2,977) | (2,675) | (2,491) | (288) |
| Non-controlling interests | 3 | (278) | 241 | (249) |
| **Loss for the period** | (2,974) | (2,953) | (2,250) | (537) |
| **Total comprehensive (loss)/income attributable to:** | | | | |
| Owners of the Company | (2,253) | (2,492) | (4,080) | (1,330) |
| Non-controlling interests | (174) | (195) | 358 | (274) |
| **Total comprehensive loss for the period** | (2,427) | (2,687) | (3,722) | (1,604) |
| Basic loss per ordinary share (sen) | (0.055) | (0.051) | (0.047) | (0.005) |
| Diluted loss per ordinary share (sen) | N/A | (0.049) | N/A | (0.005) |

**(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 March 2014

| | As at 31.3.2014 RM'000 | Audited 30.6.2013 RM'000 |
|---|---|---|
| **Non current assets** | | |
| Property, plant and equipment | 196,134 | 209,455 |
| Biological assets | 38,611 | 38,611 |
| Investment property | 12,545 | 11,045 |
| Intangible assets | 107,007 | 106,595 |
| Investment in associate | 7,179 | 7,179 |
| Deferred tax assets | 921 | 1,998 |
| **Total non current assets** | 362,397 | 374,883 |
| **Current assets** | | |
| Receivables, deposits and prepayments | 82,517 | 83,424 |
| Inventories | 51,668 | 52,475 |
| Other investments | 385 | 407 |
| Current tax assets | 2,764 | 5,140 |
| Cash and cash equivalents | 37,110 | 38,212 |
| **Total current assets** | 174,444 | 179,658 |
| **TOTAL ASSETS** | 536,841 | 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 | (102,039) | (93,463) |
| | 384,544 | 382,311 |
| Non-controlling interests | 21,793 | 22,192 |
| | | |
| **Total equity** | 406,337 | 404,503 |
| | | |
| **Long term and deferred liabilities** | | |
| Borrowings | 27,818 | 33,568 |
| Deferred tax liabilities | 14,724 | 15,271 |
| **Total long term and deferred liabilities** | 42,542 | 48,839 |
| | | |
| **Current liabilities** | | |
| Payables and accruals | 55,250 | 61,280 |
| Government grant | 13 | 28 |
| Tax liabilities | 1,913 | 977 |
| Provision for warranties | 629 | 1,824 |
| Borrowings | 30,157 | 37,090 |
| **Total current liabilities** | 87,962 | 101,199 |
| | | |
| **Total liabilities** | 130,504 | 150,038 |
| | | |
| **TOTAL EQUITY AND LIABILITIES** | 536,841 | 554,541 |
| | | |
| Net assets per share attributable to owners of the Company (RM) | 0.071 | 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 March 2014

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| | 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 | - | - | - | - | (1,589) | - | - | (2,491) | (4,080) | 358 | (3,722) |
| 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 March 2014** | 538,174 | 105,473 | 6,041 | - | (2,267) | (44,479) | (157,064) | (61,334) | 384,544 | 21,793 | 406,337 |

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| | 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 for the period | - | - | - | - | (1,042) | - | - | (288) | (1,330) | (274) | (1,604) |
| **At 31 March 2013** | 527,365 | 105,473 | 6,041 | - | (995) | (40,155) | (157,064) | (34,004) | 406,661 | 22,108 | 428,769 |

**(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 March 2014

| | Current period 31.3.2014 RM'000 | Preceding year corresponding period 31.3.2013 RM'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before tax | 1,019 | 4,448 |
| Adjustments for: | | |
| Amortisation of development costs | 248 | 677 |
| Amortisation of government grant | (15) | (163) |
| Changes in fair value of contingent consideration payable | (482) | - |
| Changes in fair value of other investment | 22 | 197 |
| Changes in fair value of derivatives | - | (8) |
| Depreciation | 18,697 | 20,004 |
| Development costs written off | - | 129 |
| Dividend income | - | (53) |
| Finance costs | 3,417 | 3,873 |
| Finance income | (451) | (395) |
| Loss/(Gain) on disposal of property, plant and equipment | 20 | (113) |
| Impairment loss on receivables (net) | 80 | 714 |
| Inventories written off | - | 979 |
| Property, plant and equipment written off | 3 | 248 |
| Provision for warranties | 1,322 | 1,514 |
| Share of loss of equity accounted investee | - | 646 |
| Unrealised foreign exchange loss | 1,706 | 142 |
| Operating profit before working capital changes | 25,585 | 32,839 |
| Changes in working capital: | | |
| Inventories | 345 | (2,934) |
| Receivables, deposits and prepayments | (1,511) | 5,311 |
| Payables and accruals | 181 | (5,696) |
| Cash generated from operations | 24,601 | 29,520 |
| Warranties paid | (2,517) | (1,374) |
| Taxation refund/(paid) (net) | 632 | (7,388) |
| **Net cash generated from operating activities** | 22,716 | 20,758 |
| | | |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | (7,628) | (10,507) |
| Development costs paid | (661) | (136) |
| Interest received | 451 | 395 |
| Dividend received | - | 53 |
| Proceeds from disposal of property, plant and equipment | 77 | 557 |
| Profit guarantee shortfall compensation received | 1,663 | - |
| Acquisition of minority interest in a subsidiary | (220) | - |
| Additions in investment property | (1,500) | - |
| **Net cash used in investing activities** | (7,818) | (9,638) |

**Condensed unaudited consolidated statement of cash flows for the financial period ended 31 March 2014**
(continued)

| | Current period 31.3.2014 RM'000 | Preceding year corresponding period (1) 31.3.2013 RM'000 |
|---|---|---|
| **Cash flows from financing activities** | | |
| Interest paid | (3,417) | (3,873) |
| 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 | (11,831) | (5,639) |
| **Net cash used in financing activities** | (15,903) | (9,322) |
| | | |
| **Net (decrease)/increase in cash and cash equivalents** | (1,005) | 1,798 |
| Effect of foreign exchange fluctuation on cash and cash equivalents | (375) | (384) |
| Cash and cash equivalents at beginning of period | 25,260 | 24,262 |
| | | |
| **Cash and cash equivalents at end of period** | 23,880 | 25,676 |
| | | |
| **Cash and cash equivalents at end of period comprise:** | | |
| | | |
| Cash and bank balances | 23,723 | 28,631 |
| Deposits with licensed banks | 13,387 | 11,176 |
| | 37,110 | 39,807 |
| Less: | | |
| Bank overdrafts | (9,202) | (10,164) |
| Deposits pledged as security | (4,028) | (3,967) |
| | 23,880 | 25,676 |

**(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 March 2014.

## 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 March 2014.

## A7. Dividends

The Board does not recommend any dividend for the financial period ended 31 March 2014.

## 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.

i) 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;

ii) AutoV Sdn Bhd, a wholly owned dormant subsidiary of the Group, has on 17 March 2014 been deregistered from the Register of Companies under Section 308 of the Companies Act, 1965.

## 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 March 2014.

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 March 2014 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 | 264,263 | 5,453 | 5 | - | 269,721 |
| Inter-segment revenue | - | - | 3,594 | (3,594) | - |
| Total revenue | 264,263 | 5,453 | 3,599 | | 269,721 |
| **Segment (loss)/profit** | (100) | 445 | 674 | - | 1,019 |
| **Segment assets** | 375,562 | 80,520 | 61,613 | (55,197) | 462,498 |
| Goodwill on consolidation | | | | | 74,343 |
| Consolidated total assets | | | | | 536,841 |

## A13. Contingent liabilities/assets

As at 31 March 2014, the Company had executed corporate guarantees in favour of licensed financial institutions of up to a limit of RM91.35 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 RM44.1 million was outstanding at the period end.

The corporate guarantee of RM5.0 million to the jointly controlled entity, together with advances amounting to RM0.8 million as at 31 March 2014 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 RM3.0 million was outstanding at the period end.

## A14. Capital commitments

Capital commitments as at 31 March 2014 were as follows:

| | RM'000 |
|---|---|
| Purchase of plant and equipment: | |
| - Approved and contracted for | 820 |
| - Approved but not contracted for | 611 |
| Lease agreement ^ | 3,673 |
| Total | 5,104 |

*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 RM76.9 million for the current quarter compared to RM87.9 million for the preceding year corresponding quarter. Comparing current quarter with the preceding year corresponding quarter, the decline in revenue of RM11.0 million was due to a drop in the IMS segment's revenue from RM86.7 million to RM75.0 million but was partially offset by an increase in the revenue contribution of RM0.7 million from the Resources segment. The decline in IMS segment's revenue was mainly attributable to overall weak demand from the PMST, semiconductor and Automotive business divisions. The increase in the Resources segment's revenue was due to an increase in the FFB production and FFB prices.

Comparing current quarter with the preceding year corresponding quarter, in tandem with the decline in the Group's revenue, the Group's net losses widened to RM3.0 million from RM2.7 million for the preceding year corresponding quarter. This was due to the IMS segment registering an increase in its net losses from RM1.6 million to RM2.9 million as a result of mainly the Automotive division registering a higher net loss of RM3.0 million for the current quarter versus a net loss of RM0.4 million for the preceding year corresponding quarter. The Resources segment, however, chalked up an improvement of RM0.3 million to record a net profit of RM0.1 million for the current quarter as compared to a net loss of RM0.2 million for the preceding year corresponding quarter. The upturn in the Resources segment's results is due mainly to an increase in the FFB production and FFB prices. The Investment Holding segment's net loss for the current quarter reduced from RM0.9 million in the preceding year corresponding quarter to RM0.2 million for the current quarter due mainly to lower staff, finance and administrative costs.

**B2. Material changes from the preceding quarter**

Comparing quarter on quarter, the Group's revenue decreased by RM21.0 million from RM97.9 million for the preceding quarter to RM76.9 million for the current quarter. The IMS and Resources segments registered a decrease of RM20.8 million and RM0.2 million respectively in their revenue contributions. The decline in the IMS segment's revenue was mainly attributable to a substantial slowdown in automotive business in the current quarter. The Resources segment's revenue decreased quarter on quarter due mainly to a decrease in FFB production.

In line with the decrease in revenue, both the IMS and Resources segments registered a decline in their results contribution by RM4.6 million and RM0.2 million respectively.

## 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

#### i) 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.

#### ii) 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 31.3.2014 RM'000 | Financial period 31.3.2014 RM'000 |
|---|---|---|
| **Tax expense** | | |
| Malaysia | | |
| - current year | 1,215 | 3,335 |
| - over provision in prior year | (147) | (225) |
| Overseas – current | 338 | 231 |
| **Deferred tax expense** | | |
| Malaysia | (24) | (72) |
| Total income tax expense | 1,382 | 3,269 |

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 March 2014, which were all secured, were as follows:

| | RM'000 |
|---|---|
| Current | 30,157 |
| Non-current | 27,818 |
| Total Group Borrowings | 57,975 |

The borrowings denominated in foreign currencies and RM as at 31 March 2014 was as follows:

| | RM'000 |
|---|---|
| Foreign Currencies: | |
| - [1] RMB6,000,000 @ RM0.5252/RMB1 | 3,151 |
| - [2] IDR26,754,030,121@ RM0.0287/IDR100 | 7,679 |
| RM | 47,145 |
| Total Group Borrowings | 57,975 |

**Foreign currencies:**

[1] RMB Renminbi of The People's Republic of China
[2] 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 31.3.2014 RM'000 | Preceding year corresponding quarter 31.3.2013 RM'000 | Current period 31.3.2014 RM'000 | Preceding year corresponding period 31.3.2013 RM'000 |
|---|---|---|---|---|
| Amortisation of development costs | (84) | (216) | (248) | (677) |
| Amortisation of government grant | 5 | 11 | 15 | 163 |
| Changes in fair value of contingent consideration payable | - | - | 482 | - |
| Changes in fair value of derivatives | - | - | - | 8 |
| Changes in fair value of other investment | (39) | (82) | (22) | (197) |
| Depreciation | (5,982) | (5,888) | (18,697) | (20,004) |
| Development costs written off | - | - | - | (129) |
| Foreign exchange (loss)/gain | 1,982 | 593 | (444) | (456) |
| (Loss)/Gain on disposal of property plant and equipment | (4) | 110 | (20) | 113 |
| Impairment loss on receivables (net) | (80) | (714) | (80) | (714) |
| Inventories written off | - | (979) | - | (979) |
| Property, plant and equipment written off | (3) | (19) | (3) | (248) |
| Provision for warranties | (366) | (384) | (1,322) | (1,514) |
| Rental income | 3 | 2 | 9 | 5 |

## B10. Realised and unrealised losses

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

| | As at 31.3.2014 RM'000 | As at 30.6.2013 RM'000 |
|---|---|---|
| Total accumulated losses of the Company and its subsidiaries: | | |
| - Realised | (45,788) | (47,008) |
| - Unrealised | (11,815) | (8,882) |
| | (57,603) | (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 | (1,820) | (870) |
| Total accumulated losses | (61,334) | (58,671) |

## B11. Earnings per share

Basic loss per share

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

| | Current quarter 31.3.2014 | Preceding year corresponding quarter 31.3.2013 | Current period 31.3.2014 | Preceding year corresponding period 31.3.2013 |
|---|---|---|---|---|
| Loss attributable to owners of the Company (RM'000) | 2,977 | 2,675 | 2,491 | 288 |
| Weighted average number of ordinary shares ('000) | 5,381,738 | 5,273,646 | 5,318,224 | 5,273,646 |
| Basic loss per share (sen) | 0.055 | 0.051 | 0.047 | 0.005 |

Diluted earnings/(loss) 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 loss per share of the Group for the preceding year corresponding quarter and period were arrived as follows:

| | **Preceding year corresponding quarter 31.3.2013** | **Preceding year corresponding period 31.3.2013** |
|---|---|---|
| Loss attributable to owners of the Company (RM'000) | 2,675 | 288 |
| 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 loss per share (sen) | 0.049 | 0.005 |