



GLOBALTEC FORMATION BERHAD

(Incorporated in Malaysia)

Company No: 953031-A

FIRST QUARTERLY REPORT FOR THE FINANCIAL YEAR ENDING 30 JUNE 2016

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Condensed unaudited consolidated statement of profit or loss and other comprehensive income for the financial period ended 30 September 2015

| | Current quarter 30.9.2015 RM'000 | Preceding year corresponding quarter 30.9.2014 RM'000 | Current period 30.9.2015 RM'000 | Preceding year corresponding period 30.9.2014 RM'000 |
|---|---|--|--|---|
| Continuing operations | | | | |
| Revenue | 60,792 | 75,676 | 60,792 | 75,676 |
| Cost of sales | (47,737) | (64,228) | (47,737) | (64,228) |
| Gross profit | 13,055 | 11,448 | 13,055 | 11,448 |
| Other operating expenses | (13,481) | (11,679) | (13,481) | (11,679) |
| Other operating income | 3,555 | 861 | 3,555 | 861 |
| Results from operating activities | 3,129 | 630 | 3,129 | 630 |
| Finance income | 153 | 252 | 153 | 252 |
| Finance costs | (866) | (1,018) | (866) | (1,018) |
| Profit/(Loss) from operations | 2,416 | (136) | 2,416 | (136) |
| Share of result of equity accounted investees, net of tax | - | - | - | - |
| Profit/(Loss) before tax | 2,416 | (136) | 2,416 | (136) |
| Tax expense | (1,029) | (766) | (1,029) | (766) |
| Profit/(Loss) from continuing operations | 1,387 | (902) | 1,387 | (902) |
| Loss from discontinued operations, net of tax | (222) | (323) | (222) | (323) |
| Profit/(Loss) for the period | 1,165 | (1,225) | 1,165 | (1,225) |
| Other comprehensive income, net of tax | | | | |
| Foreign currency translation differences for foreign operations | 16,833 | 342 | 16,833 | 342 |
| Total comprehensive income/(loss) for the period | 17,998 | (883) | 17,998 | (883) |
| Profit/(Loss) attributable to: | | | | |
| Owners of the Company - continuing operations | 1,231 | (904) | 1,231 | (904) |
| - discontinued operations | (133) | (170) | (133) | (170) |
| Non-controlling interests - continuing operations | 156 | 2 | 156 | 2 |
| - discontinued operations | (89) | (153) | (89) | (153) |
| Profit/(Loss) for the period | 1,165 | (1,225) | 1,165 | (1,225) |
| Total comprehensive income/(loss) attributable to: | | | | |
| Owners of the Company - continuing operations | 8,948 | (1,018) | 8,948 | (1,018) |
| - discontinued operations | 694 | 104 | 694 | 104 |
| Non-controlling interests - continuing operations | 7,893 | 2 | 7,893 | 2 |
| - discontinued operations | 463 | 29 | 463 | 29 |
| Total comprehensive income for the period | 17,998 | (883) | 17,998 | (883) |
| Basic earnings/(loss) per ordinary share (sen) | | | | |
| - Continuing operations | 0.023 | (0.017) | 0.023 | (0.017) |
| - Discontinued operations | (0.002) | (0.003) | (0.002) | (0.003) |
| | 0.020 | (0.020) | 0.020 | (0.020) |
| Diluted earnings per ordinary share (sen) | N/A | N/A | N/A | N/A |

(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 2015)



Condensed unaudited consolidated statement of financial position as at 30 September 2015

| | As at 30.9.2015 RM'000 | Audited 30.6.2015 RM'000 |
|---|---------------------------------------|---|
| Non-current assets | | |
| Property, plant and equipment | 130,345 | 133,035 |
| Biological assets | 39,919 | 39,919 |
| Exploration and evaluation | 105,674 | 86,163 |
| Other investment | 23 | 22 |
| Intangible assets | 42,141 | 42,345 |
| Investment in associate | 6,934 | 6,934 |
| Total non-current assets | <u>325,037</u> | <u>308,418</u> |
| Current assets | | |
| Receivables, deposits and prepayments | 78,393 | 84,681 |
| Inventories | 38,917 | 45,449 |
| Other investments | 1,594 | 1,902 |
| Current tax assets | 3,443 | 3,365 |
| Cash and cash equivalents | 60,247 | 59,192 |
| | <u>182,594</u> | <u>194,589</u> |
| Assets classified as held for sale | 17,561 | 18,526 |
| Total current assets | <u>200,155</u> | <u>213,115</u> |
| TOTAL ASSETS | <u>525,192</u> | <u>521,533</u> |
| Equity attributable to owners of the Company | | |
| Share capital | 538,174 | 538,174 |
| Share premium | 105,473 | 105,473 |
| Business combination deficit | (157,064) | (157,064) |
| Reserves | (165,543) | (175,184) |
| | <u>321,040</u> | <u>311,399</u> |
| Non-controlling interests | 85,327 | 76,971 |
| Total equity | <u>406,367</u> | <u>388,370</u> |
| Long term and deferred liabilities | | |
| Borrowings | 18,982 | 16,649 |
| Deferred tax liabilities | 13,599 | 13,152 |
| Total long term and deferred liabilities | <u>32,581</u> | <u>29,801</u> |
| Current liabilities | | |
| Payables and accruals | 52,937 | 63,292 |
| Government grant | 3 | 5 |
| Tax liabilities | 1,254 | 1,100 |
| Provision for warranties | 1,282 | 1,404 |
| Borrowings | 26,108 | 30,779 |
| | <u>81,584</u> | <u>96,580</u> |
| Liabilities classified as held for sale | 4,660 | 6,782 |
| Total current liabilities | <u>86,244</u> | <u>103,362</u> |
| Total liabilities | <u>118,825</u> | <u>133,163</u> |
| TOTAL EQUITY AND LIABILITIES | <u>525,192</u> | <u>521,533</u> |
| Net assets per share attributable to owners of the Company (RM) | 0.060 | 0.058 |

(The condensed unaudited consolidated statement of financial position should be read in conjunction with the Annual Financial Report for the year ended 30 June 2015)

Condensed unaudited consolidated statement of changes in equity for the financial period ended 30 September 2015

| | ← Attributable to owners of the Company → | | | | | | | | | | Total equity RM'000 |
|---|---|-------------------------|---------------------------|--|--|---|--|------------------------------|-----------------|-------------------------------------|------------------------|
| | Share capital RM'000 | Share premium RM'000 | Capital reserve RM'000 | Foreign currency translation reserve RM'000 | Available for sale financial asset reserve RM'000 | Fair value adjustment reserve RM'000 | Business combination deficit RM'000 | Accumulated losses RM'000 | Total RM'000 | Non-controlling interests RM'000 | |
| At 1 July 2015 | 538,174 | 105,473 | 6,041 | 590 | (10) | (44,479) | (157,064) | (137,326) | 311,399 | 76,971 | 388,370 |
| Total comprehensive income for the year | - | - | - | 8,543 | - | - | - | 1,098 | 9,641 | 8,356 | 17,997 |
| At 30 September 2015 | 538,174 | 105,473 | 6,041 | 9,133 | (10) | (44,479) | (157,064) | (136,228) | 321,040 | 85,327 | 406,367 |

| | ← Attributable to owners of the Company → | | | | | | | | | | Total equity RM'000 |
|--|---|-------------------------|---------------------------|--|--|---|--|------------------------------|-----------------|-------------------------------------|------------------------|
| | Share capital RM'000 | Share premium RM'000 | Capital reserve RM'000 | Foreign currency translation reserve RM'000 | Available for sale financial asset reserve RM'000 | Fair value adjustment reserve RM'000 | Business combination deficit RM'000 | Accumulated losses RM'000 | Total RM'000 | Non-controlling interests RM'000 | |
| At 1 July 2014 | 538,174 | 105,473 | 6,041 | (3,366) | - | (44,479) | (157,064) | (96,029) | 348,750 | 21,275 | 370,025 |
| Total comprehensive income/(loss) for the period | - | - | - | 159 | - | - | - | (1,074) | (915) | 32 | (883) |
| Dividends to non-controlling interests | - | - | - | - | - | - | - | - | - | (1,800) | (1,800) |
| Acquisition of subsidiaries | - | - | - | - | - | - | - | - | - | 258 | 258 |
| At 30 September 2014 | 538,174 | 105,473 | 6,041 | (3,207) | - | (44,479) | (157,064) | (97,103) | 347,835 | 19,765 | 367,600 |

(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 2015)

**Condensed unaudited consolidated statement of cash flows for the financial period ended 30 September 2015**

| | Current period | Preceding year |
|--|-----------------------|-----------------------|
| | 30.9.2015 | corresponding |
| | RM'000 | period |
| | | 30.9.2014 |
| | | RM'000 |
| Cash flows from operating activities | | |
| Profit/(Loss) before tax from: | | |
| - continuing operations | 2,416 | (136) |
| - discontinued operations | (235) | (337) |
| | <hr/> 2,181 | <hr/> (473) |
| Adjustments for: | | |
| Amortisation of customer relationships | 99 | 414 |
| Amortisation of development costs | 125 | 93 |
| Amortisation of government grant | (2) | (2) |
| Changes in fair value of other investment | 22 | (26) |
| Depreciation | 3,947 | 5,652 |
| Finance costs | 919 | 1,018 |
| Finance income | (156) | (252) |
| Gain on disposal of property, plant and equipment | (17) | (15) |
| Impairment loss on receivables (net) | - | 80 |
| Provision for warranties (net) | 177 | 207 |
| Reversal of impairment loss on property, plant and equipment | (1,262) | - |
| Unrealised foreign exchange gain | (2,038) | (37) |
| Operating profit before working capital changes | <hr/> 3,995 | <hr/> 6,659 |
| Changes in working capital: | | |
| Inventories | 7,641 | (61) |
| Receivables, deposits and prepayments | 9,414 | 35 |
| Payables and accruals | (11,781) | (3,253) |
| Cash generated from operations | <hr/> 9,269 | <hr/> 3,380 |
| Warranties paid | (298) | (224) |
| Taxation paid | (1,096) | (1,267) |
| Net cash generated from operating activities | <hr/> 7,875 | <hr/> 1,889 |
| Cash flows from investing activities | | |
| Withdrawal/(Additions) in other investments | 286 | (7,474) |
| Development costs paid | (20) | (123) |
| Exploration and evaluation expenditure incurred | (6,766) | - |
| Interest received | 156 | 252 |
| Proceeds from disposal of property, plant and equipment | 4,432 | 15 |
| Purchase of property, plant and equipment | (885) | (1,048) |
| Net cash used in investing activities | <hr/> (2,797) | <hr/> (8,378) |



Condensed unaudited consolidated statement of cash flows for the financial period ended 30 September 2015
(continued)

| | Current period | Preceding year |
|---|-----------------------|-----------------------|
| | 30.9.2015 | corresponding |
| | RM'000 | period |
| | | 30.9.2014 |
| | | RM'000 |
| Cash flows from financing activities | | |
| Interest paid | (919) | (1,018) |
| Decrease/(Increase) in deposits pledged | 7 | (105) |
| Dividends paid to non-controlling interest | - | (1,800) |
| Repayment of bank borrowings – net | (3,659) | (735) |
| Net cash used in financing activities | (4,571) | (3,658) |
| Net increase/(decrease) in cash and cash equivalents | 507 | (10,147) |
| Effect of foreign exchange fluctuation on cash and cash equivalents | 3,361 | 50 |
| Cash and cash equivalents at beginning of period | 54,615 | 29,335 |
| Cash and cash equivalents at end of period | 58,483 | 19,238 |

| | ← Current period → | | | ← Preceding year corresponding period → | | |
|------------------------------|-----------------------|-------------------------|---------|---|-------------------------|---------|
| | Continuing operations | Discontinued operations | Total | Continuing operations | Discontinued operations | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and bank balances | 50,172 | 4,191 | 54,363 | 16,169 | 3,415 | 19,584 |
| Deposits with licensed banks | 10,075 | - | 10,075 | 13,191 | - | 13,191 |
| | 60,247 | 4,191 | 64,438 | 29,360 | 3,415 | 32,775 |
| Less: | | | | | | |
| Bank overdrafts | (3,270) | - | (3,270) | (9,458) | - | (9,458) |
| Deposits pledged as security | (2,685) | - | (2,685) | (4,079) | - | (4,079) |
| | 54,292 | 4,191 | 58,483 | 15,823 | 3,415 | 19,238 |

(The condensed unaudited consolidated statement of cash flows should be read in conjunction with the Annual Financial Report for the year ended 30 June 2015)

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

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 2015.

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 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to MFRSs 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements to MFRSs 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements to MFRSs 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements to MFRSs 2012-2014 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture: Bearer Plants*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

The Group plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 July 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 14 which is not applicable to the Group.
- from the annual period beginning on 1 July 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

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

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, *Transfer of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of MFRS 15 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 15.

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 investment in unquoted shares will 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

Save as disclosed below, there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter and financial period.

The Company had in the prior financial year announced the divestment of subsidiaries, AIC Properties Sdn Bhd ("AICP") and Jotech Metal Fabrication Industries Sdn Bhd ("JMF") respectively. The divestment of AICP and JMF had been completed during the last financial year. In addition, the Company had on 3 August 2015 announced the Group's decision to cease the operations of GuangDong Jotech Kong Yue Precision Industries Ltd ("JKY") a subsidiary of the Group. The cessation of operations of JKY is still on-going as at the date of this report.

As such, AICP, JMF and JKY fall within the ambit of Discontinued Operations under MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. Further details of the above are disclosed in Note A10.

As a result of the above:

- i) the consolidated statements of profit or loss and other comprehensive income for the current quarter and current period have been adjusted to reflect the after-tax results of JKY being presented as a single line item;
- ii) the consolidated statements of profit or loss and other comprehensive income for the preceding year corresponding quarter and preceding year corresponding period have been adjusted to reflect the after-tax results of AICP, JMF and JKY being aggregated and presented as a single line item; and
- iii) the assets of JKY, have been accounted at their fair values less costs to sell and JKY's total assets and total liabilities are disclosed as 'Assets held for sale' and 'Liabilities held for sale' respectively in the consolidated statement of financial position as at 30 September 2015 and 30 June 2015.

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 30 September 2015.

A7. Dividends

The Board does not recommend any dividend for the financial period ended 30 September 2015.

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.

Nuwizard Technologies Sdn Bhd, a wholly owned subsidiary of the Group has been de-registered from the register of companies on 12 October 2015.

A11. Capital commitments

Capital commitments as at 30 September 2015 were as follows:

| | RM'000 |
|------------------------------------|--------------------|
| Approved and contracted for: | |
| - Purchase of plant and equipment: | 806 |
| - Acquisition of shares | 2,228 |
| - Lease agreement | 2,728 |
| | <hr/> <u>5,762</u> |

A12. Contingent liabilities/assets

As at 30 September 2015, the Company had executed corporate guarantees in favour of licensed financial institutions of up to a limit of RM74.5 million for credit facilities granted to subsidiaries and a joint venture. Out of the total banking facilities secured by corporate guarantees by the Company, a total of RM39.6 million was outstanding at the period end.

The corporate guarantee of RM5.0 million to the joint venture, together with advances amounting to RM0.05 million as at 30 September 2015 by the Group to the joint venture, 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 joint venture and secured by a corporate guarantee by the Company, a total of RM1.1 million was outstanding at the period end.

A13. Debt and equity securities

There were no issuances, cancellations, share splits, repurchases and repayments of the Company's debt or equity securities for the financial period ended 30 September 2015.

A14. Segmental information

Analysis by business segments being the primary basis of the Group's segmental reporting for the financial period ended 30 September 2015 is as follows:

| | Integrated manufacturing services | | Energy RM'000 | Resources RM'000 | Investment holding RM'000 | Consolidation adjustments RM'000 | Consolidated RM'000 | Less Discontinued operations RM'000 | Continuing operations RM'000 |
|---------------------------------|--------------------------------------|--------------------------------------|------------------|---------------------|---------------------------------|--|------------------------|--|------------------------------------|
| | Continuing operations RM'000 | Discontinued operations RM'000 | | | | | | | |
| Segment revenue | | | | | | | | | |
| Revenue from external customers | 58,286 | 2,379 | 776 | 1,730 | - | - | 63,171 | 2,379 | 60,792 |
| Inter-segment revenue | - | - | - | - | 1,012 | (1,012) | - | - | - |
| Total revenue | <u>58,286</u> | <u>2,379</u> | <u>776</u> | <u>1,730</u> | <u>1,012</u> | | <u>63,171</u> | <u>2,379</u> | <u>60,792</u> |
| Segment profit/(loss) | <u>3,788</u> | <u>(235)</u> | <u>(1,199)</u> | <u>212</u> | <u>(386)</u> | <u>1</u> | <u>2,181</u> | <u>(235)</u> | <u>2,416</u> |
| Segment assets | 276,267 | 17,561 | 131,299 | 76,010 | 60,104 | (59,659) | 501,582 | 17,561 | 484,021 |
| Customer relationships | | | | | | | | | 7,006 |
| Goodwill on consolidation | | | | | | | | | 34,165 |
| Consolidated total assets | | | | | | | | | <u>525,192</u> |

A15. Discontinued operations/Disposal group held for sale

The revenue, results and cash flows of the discontinued operations were are as follows:

| | Current quarter 30.9.2015 RM'000 | Preceding year corresponding quarter 30.9.2014 RM'000 | Current period 30.9.2015 RM'000 | Preceding year corresponding period 30.9.2014 RM'000 |
|--|---|--|--|---|
| Revenue | 2,379 | 12,335 | 2,379 | 12,335 |
| Loss before tax | (235) | (337) | (235) | (337) |
| Tax expense | 13 | 14 | 13 | 14 |
| Loss for the period | (222) | (323) | (222) | (323) |
| Other comprehensive income | 1,379 | 456 | 1,379 | 456 |
| Total comprehensive income for the period | 1,157 | 133 | 1,157 | 133 |
| Loss for the period attributable to: | | | | |
| Owners of the Company | (133) | (170) | (133) | (170) |
| Non-controlling interests | (89) | (153) | (89) | (153) |
| Loss for the period | (222) | (323) | (222) | (323) |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | 694 | 104 | 694 | 104 |
| Non-controlling interests | 463 | 29 | 463 | 29 |
| Total comprehensive income for the period | 1,157 | 133 | 1,157 | 133 |
| Cash flows from: | | | | |
| Operating activities | | | (334) | 4,121 |
| Investing activities | | | 4,407 | 6 |
| Financing activities | | | (2,506) | (134) |
| Net cash flow | | | 1,567 | 4,119 |



At 30 September 2015, the assets and liabilities of the disposal group held for sale are as follows:

| | As at | |
|--|------------------|------------------|
| | 30.9.2015 | 30.6.2015 |
| | RM'000 | RM'000 |
| Assets classified as held for sale | | |
| Property, plant and equipment | 11,183 | 13,560 |
| Inventories | - | 986 |
| Receivables | 2,187 | 1,356 |
| Cash and cash equivalents | 4,191 | 2,624 |
| | <u>17,561</u> | <u>18,526</u> |
| Liabilities classified as held for sale | | |
| Payables and accrual | 1,954 | 1,779 |
| Borrowings | 699 | 2,982 |
| Deferred tax liability | 2,007 | 2,021 |
| | <u>4,660</u> | <u>6,782</u> |
| | | |
| Net assets of disposal group held for sale | <u>12,901</u> | <u>11,744</u> |

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”) whereas the Energy segment is principally involved in the exploration and production of oil and gas but has not commenced commercial production yet.

The Group’s revenue from continuing operations for the current quarter decreased from RM75.7 million for the preceding year corresponding quarter to RM60.8 million for the current quarter. This was due to a drop in the revenue from all the IMS divisions, with the Automotive division registering the steepest decline of RM13.9 million. The decrease in the IMS segment’s revenue is due mainly to an overall weak demand. The Resources segment registered a marginal increase of RM67,000 in its revenue due to higher FFB production albeit at lower FFB prices.

Despite the decrease in revenue, the continuing operations generated a net profit of RM1.2 million for the current quarter versus a net loss of RM0.9 million for the preceding year corresponding quarter. This was achieved on the back of the IMS segment registering a turnaround from a net loss of RM0.9 million to a net profit of RM3.0 million, due mainly to better margins earned and favourable foreign exchange rates. All the IMS divisions, except for the Automotive division recorded improvements in their respective net results. In tandem with the increase in its revenue, the Resources segment registered a marginal improvement in its net results.

The discontinued operations incurred a lower net loss for the current quarter vis-à-vis the preceding year corresponding quarter. This was mainly aided by a reversal of impairment loss on plant and equipment of RM1.3 million. Excluding this reversal, the discontinued operations incurred a higher net loss of RM1.4 million, in tandem with the decrease in its revenue.

B2. Material changes from the preceding quarter

Comparing quarter on quarter, the Group’s revenue from continuing operations decreased from RM68.7 million for the preceding quarter to RM60.8 million for the current quarter. This decline was attributable mainly to a decrease in the revenue of the IMS segment. The IMS’s revenue decreased from RM66.9 million to RM58.3 million quarter on quarter, due to all the IMS divisions recording a decrease in their revenue. The revenue from the Resources segment was flat quarter on quarter.

Included in the net results from continuing operations for the previous quarter was a net accounting charge (comprising impairments of goodwill, customer relationships and plant and equipment) of RM39.0 million. Excluding this net accounting charge, despite the decrease in revenue, the continuing operations chalked up an turnaround from a net loss of RM8.3 million for the previous quarter to a net profit of RM1.2 million for the current quarter. This was attributable to improvements recorded by mainly the IMS segment as a result of better cost model and favourable foreign exchange rates.

The discontinued operations continue to incur operating losses quarter on quarter.

B3. Prospects

The slowing global growth and lacklustre local business environment continues to pose a challenging outlook for the Group's businesses, particularly in the IMS segment.

In view of the above, the Board is hopeful with the new venture into the oil and gas exploration, production and services, the Group is able to diversify its risks and reduce its reliance on the manufacturing business and Resources segment and also improve the long term revenue, profits and cash flows to the Group. Nevertheless, this new venture will take time before the Group can reap the returns from it.

B4. Profit Forecast and Profit Guarantee

Not applicable as no profit forecast was published and no outstanding profit guarantee that has been given or received during the financial period and up to the date of this report.

B5. Corporate proposals

Save as disclosed below, there were no other corporate proposals announced but not completed within 7 days from the date of issue of this report.

- i) On 20 May 2015, the Company announced that NGY had on even date entered into a conditional share purchase agreement with Dart Energy International Limited to acquire the entire equity interest in DEIH for a cash consideration of USD1 million. DEIH Group has interest in 3 PSCs and 1 joint evaluation in Indonesia. This proposed acquisition is pending completion as at the date of this report.
- ii) On 12 September 2014, the Company announced that it had on the same date entered into a conditional sale and purchase agreement and a share subscription agreement with Wibawa Serantau Sdn Bhd and Empangan Sejati Sdn Bhd ("ESSB") respectively, to acquire a total of 490 ordinary shares of RM1.00 each in ESSB, representing a 49% equity interest in ESSB for a total cash consideration of RM2.74 million ("Proposed Acquisition of ESSB"). ESSB has an indirect interest in Manifest Frontier Sdn Bhd, which represents a joint venture with Perak Hydro Renewable Energy Corporation Sdn Bhd to jointly build, operate and own a small hydroelectric power plant with an installed capacity of up to 15 megawatt in Perak. The Proposed Acquisition of ESSB is pending completion as at the date of this report.

B6. Taxation

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

| | Current quarter | Financial period |
|-----------------------------|------------------------|-------------------------|
| | 30.9.2015 | 30.9.2015 |
| | RM'000 | RM'000 |
| Tax expense | | |
| Malaysia -current year | 783 | 783 |
| Overseas – current | 284 | 284 |
| Deferred tax expense | | |
| Malaysia - current year | (38) | (38) |
| Total income tax expense | <u>1,029</u> | <u>1,029</u> |

The effective tax rate of the Group for the current quarter and period is higher than the statutory tax rate principally due mainly to losses incurred by the Company and certain operating subsidiaries.

B7. Borrowings

The Group's borrowings as at 30 September 2015, which were all secured, were as follows:

| | Continuing operations RM'000 | Discontinued operations RM'000 | Total RM'000 |
|-------------------------------|---|---|-------------------------|
| Current | 26,108 | 699 | 26,807 |
| Non-current | 18,982 | - | 18,982 |
| Total Group Borrowings | 45,090 | 699 | 45,789 |

The borrowings denominated in foreign currencies and RM as at 30 September 2015 was as follows:

| | Continuing operations RM'000 | Discontinued operations RM'000 | Total RM'000 |
|---|---|---|-------------------------|
| Foreign Currencies: | | | |
| - ⁽¹⁾ RMB1,000,000 @ RM0.6994/RMB1 | - | 699 | 699 |
| - ⁽²⁾ IDR13,511,438,519@ RM0.0283/IDR100 | 3,824 | - | 3,824 |
| RM | 41,266 | - | 41,266 |
| Total Group Borrowings | 45,090 | 699 | 45,789 |

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. Earnings per share
Basic earnings per share

The basic earnings per share of the Group for the current quarter and financial period was computed as follows:

| | Profit/(Loss) attributable to owners of the Company RM'000 | Weighted average number of ordinary shares '000 | Basic earnings/ (loss) per share sen |
|-------------------------|---|--|---|
| Continuing operations | 1,231 | 5,381,738 | 0.023 |
| Discontinued operations | (133) | 5,381,738 | (0.002) |
| Total | 1,098 | 5,381,738 | 0.020 |

Diluted earnings per share

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

B10. 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 30.9.2015 RM'000 | Preceding year corresponding quarter 30.9.2014 RM'000 | Current period 30.9.2015 RM'000 | Preceding year corresponding period 30.9.2014 RM'000 |
|---|---|--|--|---|
| Amortisation of customer relationships | (99) | (414) | (99) | (414) |
| Amortisation of development costs | (125) | (93) | (125) | (93) |
| Amortisation of government grant | 2 | 2 | 2 | 2 |
| Bad debts written off | - | (80) | - | (80) |
| Changes in fair value of other investment | (22) | 26 | (22) | 26 |
| Depreciation | (3,947) | (5,652) | (3,947) | (5,652) |
| Foreign exchange loss gain/(loss) | 2,501 | (95) | 2,501 | (95) |
| Gain on disposal of property plant and equipment | 17 | 15 | 17 | 15 |
| Provision for warranties (net) | (177) | (207) | (177) | (207) |
| Reversal of impairment loss on property, plant and equipment | 1,262 | - | 1,262 | - |
| Rental income | 3 | 3 | 3 | 3 |

B11. Realised and unrealised losses

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

| | As at 30.9.2015 RM'000 | As at 30.6.2015 RM'000 |
|--|---------------------------------------|---------------------------------------|
| Total accumulated losses of the Company and its subsidiaries: | | |
| - Realised | (259,191) | (260,453) |
| - Unrealised | (6,411) | (8,616) |
| | <u>(265,602)</u> | <u>(269,069)</u> |
| The share of accumulated losses from a jointly controlled entity: | | |
| - Realised | (1,763) | (1,763) |
| The share of accumulated losses from an associate: | | |
| - Realised | (287) | (287) |
| Consolidation adjustments | 131,424 | 133,793 |
| Total accumulated losses | <u>(136,228)</u> | <u>(137,326)</u> |