GLOBALTEC FORMATION BERHAD

(Incorporated in Malaysia)

Company No: 953031-A

FOURTH QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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Condensed unaudited consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2016

	Current quarter 30.6.2016 RM'000	Preceding year corresponding quarter 30.6.2015 RM'000	Current year 30.6.2016 RM'000	Preceding year 30.6.2015 RM'000
Continuing operations				
Revenue	54,669	68,650	252,379	299,368
Cost of sales	(46,980)	(58,753)	(206,177)	(249,991)
Gross profit	7,689	9,897	46,202	49,377
Other operating expenses	(31,318)	(57,146)	(72,273)	(100,330)
Other operating income	8,461	884	15,371	16,161
Results from operating activities	(15,168)	(46,365)	(10,700)	(34,792)
Finance income	265	477	698	1,282
Finance costs	(696)	(938)	(3,159)	(4,507)
Loss from operations	(15,599)	(46,826)	(13,161)	(38,017)
Share of result of equity accounted investees, net of tax	-	(45)	-	(45)
Loss before tax	(15,599)	(46,871)	(13,161)	(38,062)
Tax expense	(1,019)	(1,079)	(4,044)	(4,955)
Loss from continuing operations	(16,618)	(47,950)	(17,205)	(43,017)
Loss from discontinued operations, net of tax	(158)	(1,444)	(2,152)	(2,785)
Loss for the period	(16,776)	(49,394)	(19,357)	(45,802)
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	4,203	7,073	6,388	7,659
Total comprehensive loss for the period	(12,573)	(42,321)	(12,969)	(38,143)
(Loss)/Profit attributable to:				
Owners of the Company - continuing operations	(15,830)	(47,263)	(15,161)	(43,001)
- discontinued operations	(95)	2,272	(1,291)	1,704
Non-controlling interests - continuing operations	(788)	(687)	(2,044)	(16)
- discontinued operations	(63)	(3,716)	(861)	(4,489)
Loss for the period	(16,776)	(49,394)	(19,357)	(45,802)
Total comprehensive (loss)/income attributable to:				
Owners of the Company - continuing operations	(15,023)	(44,345)	(11,553)	(40,447)
- discontinued operations	(181)	2,426	(1,033)	3,096
Non-controlling interests - continuing operations	2,752	3,213	306	2,770
- discontinued operations	(121)	(3,615)	(689)	(3,562)
Total comprehensive loss for the period	(12,573)	(42,321)	(12,969)	(38,143)
Basic (loss)/earnings per ordinary share (sen)				
- Continuing operations	(0.294)	(0.878)	(0.282)	(0.799)
- Discontinued operations	(0.002)	0.042	(0.024)	0.032
	(0.296)	(0.836)	(0.306)	(0.767)
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 June 2016

	As at 30.6.2016 RM'000	Audited 30.6.2015 RM'000
Non-current assets		
Property, plant and equipment	126,079	133,035
Biological assets	39,919	39,919
Exploration and evaluation	128,220	86,163
Other investment	37	22
Intangible assets	30,070	42,345
Investment in associate	-	6,934
Total non-current assets	324,325	308,418
Current assets		
Receivables, deposits and prepayments	66,215	84,681
Inventories	37,124	45,449
Other investments	428	1,902
Current tax assets	1,743	3,365
Cash and cash equivalents	53,101	59,192
	158,611	194,589
Assets classified as held for sale	12,006	18,526
Total current assets	170,617	213,115
TOTAL ASSETS	494,942	521,533
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	(191,681)	(175,184)
	294,902	311,399
Non-controlling interests	92,594	76,971
Total equity	387,496	388,370
Long term and deferred liabilities		
Borrowings	19,279	16,649
Deferred tax liabilities	13,302	13,152
Total long term and deferred liabilities	32,581	29,801
Current liabilities		
Payables and accruals	52,787	63,292
Government grant	-	5
Tax liabilities	298	1,100
Provision for warranties	1,721	1,404
Borrowings	18,075	30,779
	72,881	96,580
Liabilities classified as held for sale	1,984	6,782
Total current liabilities	74,865	103,362
Total liabilities	107,446	133,163
TOTAL EQUITY AND LIABILITIES	494,942	521,533
Net assets per share attributable to owners of the Company (RM)	0.055	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 year ended 30 June 2016

	Attributable to owners of the Company										
	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	Total equity 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/(loss) for the period	-	-	-	3,859	7	-	-	(16,452)	(12,586)	(383)	(12,969)
Rights issue in a subsidiary	-	-	-	-	-	-	-	(3,911)	(3,911)	16,917	13,006
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	(911)	(911)
At 30 June 2016	538,174	105,473	6,041	4,449	(3)	(44,479)	(157,064)	(157,689)	294,902	92,594	387,496

	Attributable to owners of the Company										
	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	Total equity 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 year	-	-	-	3,956	(10)	-	-	(41,297)	(37,351)	(792)	(38,143)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,800)	(1,800)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	58,288	58,288
At 30 June 2015	538,174	105,473	6,041	590	(10)	(44,479)	(157,064)	(137,326)	311,399	76,971	388,370

(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 year ended 30 June 2016

	Current year 30.6.2016 RM'000	Preceding year 30.6.2015 RM'000
Cash flows from operating activities		
Loss before tax from:		
- continuing operations	(13,161)	(38,062)
- discontinued operations	(2,206)	(2,401)
	(15,367)	(40,463)
Adjustments for:		
Amortisation of customer relationships	395	1,658
Amortisation of development costs	582	471
Amortisation of government grant	(5)	(5)
Bad debts written off	164	-
Changes in fair value of other investment	43	81
Depreciation	14,452	17,138
Dividend income	(6)	(6)
Finance costs	3,216	5,098
Finance income	(704)	(1,310)
Gain on bagain purchase	(1,232)	(9,222)
Gain on sale of discontinued operations	-	(8,733)
Impairment loss on an associate	6,934	-
Impairment loss on customer relationships	-	21,079
Impairment loss on goodwill	11,731	22,000
Impairment loss on property, plant and equipment	-	9,616
Impairment loss on receivables (net)	-	(486)
Inventories written off	49	2,804
Loss/(Gain) on disposal of property, plant and equipment	58	(31)
Provision for warranties (net)	1,052	472
Property, plant and equipment written off	45	586
Reversal of impairment loss on property, plant and equipment	(1,074)	-
Share of loss of equity accounted investee	-	45
Unrealised foreign exchange loss/(gain)	577	(2,973)
Operating profit before working capital changes	20,910	17,819
Changes in working capital:		
Inventories	10,067	(2,242)
Receivables, deposits and prepayments	31,001	(6,774)
Payables and accruals	(28,461)	16,653
Cash generated from operations	33,517	25,456
Warranties paid	(735)	(814)
Taxation paid	(3,328)	(6,032)
Net cash generated from operating activities	29,454	18,610
Cash flows from investing activities		
Withdrawal in other investments	1,424	-
Development costs paid	(412)	(337)
Dividend received	6	6
Exploration and evaluation expenditure incurred	(29,496)	(6,782)
Interest received	704	1,161
Proceeds from disposal of property, plant and equipment	4,426	1,005
Proceeds from disposal of subsidiaries	-	23,511
Purchase of property, plant and equipment	(4,652)	(7,091)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(2,791)	(6,601)
Net cash (used in)/generated from investing activities	(30,791)	4,872

Condensed unaudited consolidated statement of cash flows for the financial year ended 30 June 2016 (continued)

	Current year 30.6.2016 RM'000	Preceding year 30.6.2015 RM'000
Cash flows from financing activities		
Interest paid	(3,216)	(5,098)
Dividends paid to non-controlling interest	-	(1,800)
Subscription of shares in a subsidiary by non-controlling interests	13,006	-
(Repayment)/Drawdown of bank borrowings – net	(10,618)	3,466
Withdrawal of pledge deposits with a licensed bank	1,823	1,281
Net cash generated from/(used in) financing activities	995	(2,151)
Net (decrease)/increase in cash and cash equivalents	(342)	21,331
Effect of foreign exchange fluctuation on cash and cash equivalents	(899)	4,197
Cash and cash equivalents at beginning of period	54,863	29,335
Cash and cash equivalents at end of year	53,622	54,863

	Current year			Preceding year		
	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Cash and bank balances	43,850	1,834	45,684	31,282	2,624	33,906
Deposits with licensed banks	9,251	-	9,251	27,910	-	27,910
	53,101	1,834	54,935	59,192	2,624	61,816
Less:						
Bank overdrafts	(444)	-	(444)	(4,261)	-	(4,261)
Deposits pledged as security	(869)	-	(869)	(2,692)	-	(2,692)
	51,788	1,834	53,622	52,239	2,624	54,863

(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 year.

i) The Company had in the prior financial year announced and completed the divestment of subsidiaries, AIC Properties Sdn Bhd (“AICP”) and Jotech Metal Fabrication Industries Sdn Bhd (“JMF”). 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. Consequently, on 19 May 2016, the Company announced the Group had entered into equity transfer agreements for the proposed disposal of JKY. The proposed disposal fo JKY has been completed on 26 July 2016.

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*.

As a result of the above:

a) the consolidated statements of profit or loss and other comprehensive income for the current quarter and current year have been adjusted to reflect the after-tax results of JKY being presented as a single line item;

b) the consolidated statements of profit or loss and other comprehensive income for the preceding year corresponding quarter and preceding year have been adjusted to reflect the after-tax results of AICP, JMF and JKY being aggregated and presented as a single line item; and

c) the assets of JKY, have been accounted at the lower of its cost or its 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 statements of financial position as at 30 June 2016 and 30 June 2015.

ii) NuEnergy Gas Limited ("NGY"), a subsidiary of the Group listed on the Australian Securities Exchange, had on 29 December 2015, completed its non-renounceable pro-rata entitlement offer of 1 new share in NGY ("NGY Share") for every 1.88 NGY Shares held at an issue price of A$0.025 each ("NGY Offer"). The Group has subscribed for its entitlement of 221.6 million NGY Shares under the NGY Offer for a total subscription consideration of A$5.5 million. On completion of the NGY Offer, the Group's shareholding in NGY remains unchanged and has the following effect:

	RM'000
Subscription consideration satisfied by cash	(17,387)
Net cash received by NGY pursuant to the NGY Offer	30,393
Net cash inflow to the Group	13,006

iii) The effects arising on acquisition of Dart Energy (Indonesia) Holdings Pte Ltd ("DEIH") are as mentioned in Note A10(iii).

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 year ended 30 June 2016.

A7. Dividends

The Board does not recommend any dividend for the financial year ended 30 June 2016.

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 year end

Save as disclosed in Note A10(iii), there were no other material events subsequent to the financial year end.

A10. Changes in composition of the Group

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

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

ii) Star Mine Global Limited, a subsidiary of the Group has been de-registered from the register of companies of the British Virgin Islands on 1 May 2016;

iii) NGY had on 20 November 2015, completed its acquisition of DEIH. As such, DEIH and its 6 subsidiaries, comprising Dart Energy (Tanjung Enim) Pte Ltd, Dart Energy (Muralim) Pte Ltd, Dart Energy (Bontang Bengalon) Pte Ltd, PT Dart Energy Indonesia, Dart Energy (CBM Power Indonesia) Pte Ltd and PT Coal Bed Methane Power Indonesia are subsidiaries of the Group effective on 20 November 2015.

The effects on the acquisition of DEIH are as follows:

	RM'000
Acquisition consideration	4,112
Fair value of net identifiable assets acquired	5,344
Gain on bargain purchase	1,232

The cash effect on acquisition of DEIH is as follows:

	RM'000
Subscription consideration satisfied by cash	(4,112)
Cash and cash equivalents of subsidiaries acquired	1,321
Net cash outflow to the Group	(2,791)

DEIH group of companies ("DEIH Group"), which has not commenced commercial production, have contributed the following results to the Group:

	Current quarter 30.6.2016 RM'000	**Financial year 30.6.2016 RM'000**
Revenue	-	-
Net profit	748	136

If the acquisition had occurred on 1 July 2015, management estimates that the consolidated revenue and net loss would have been the same for the financial year. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2015.

The Group incurred acquisition-related costs of RM69,347 related mainly to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in other operating expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

iv) Subsequent to the year end, the Group had completed its disposal of JKY. The disposal has resulted in a gain on disposal (after non-controlling interests) and cash proceeds to the Group of RM4.4 million and RM10.4 million respectively that will be recognised in the Group's financial statements for the financial year ending 30 June 2017.

A11. Capital commitments

Capital commitments as at 30 June 2016 were as follows:

	RM'000
Approved and contracted for:	
- Purchase of plant and equipment:	2,109
- Lease agreements	1,327
	3,436
Approved but not contracted for:	
- Uncoventional gas exploration activities	23,189
Total	26,625

A12. Contingent liabilities/assets

As at 30 June 2016, the Company had executed corporate guarantees in favour of licensed financial institutions of up to a limit of RM72.1 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 RM32.5 million was outstanding at the year end.

The corporate guarantee of RM5.0 million to the joint venture, together with advances amounting to RM0.05 million as at 30 June 2016 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 RM1.2 million was outstanding at the year end.

A13. Segmental information

Analysis by business segments being the primary basis of the Group's segmental reporting for the financial year ended 30 June 2016 is as follows:

	Integrated manufacturing services Continuing operations RM'000	Integrated manufacturing services Discontinued operations RM'000	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
Segment revenue									
Revenue from external customers	245,063	2,358	1,007	6,301	8	-	254,737	2,358	252,379
Inter-segment revenue	-	-	-	-	4,031	(4,031)	-	-	-
Total revenue	245,063	2,358	1,007	6,301	4,039		254,737	2,358	252,379
Segment profit/(loss)	12,515	(2,206)	(7,001)	57	(18,796)	64	(15,367)	(2,206)	(13,161)

	Integrated manufacturing services Continuing operations RM'000	Integrated manufacturing services Discontinued operations RM'000	Energy RM'000	Resources RM'000	Investment holding RM'000	Consolidation adjustments RM'000	Consolidated RM'000
Segment assets	255,239	12,006	143,431	68,658	70,376	(83,912)	465,798
Customer relationships							6,710
Goodwill on consolidation							22,434
Consolidated total assets							494,942

A14. 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 year ended 30 June 2016.

A15. Discontinued operations/Disposal group held for sale

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

	Current quarter 30.6.2016 RM'000	Preceding year corresponding quarter 30.6.2015 RM'000	Current year 30.6.2016 RM'000	Preceding year 30.6.2015 RM'000
Revenue	-	2,914	2,358	33,562
Loss before tax	(171)	(1,018)	(2,206)	(2,401)
Tax expense	13	(426)	54	(384)
Loss for the period	(158)	(1,444)	(2,152)	(2,785)
Other comprehensive (loss)/income	(144)	255	430	2,319
Total comprehensive loss for the period	(302)	(1,189)	(1,722)	(466)
(Loss)/Profit for the period attributable to:				
Owners of the Company	(95)	2,272	(1,291)	1,704
Non-controlling interests	(63)	(3,716)	(861)	(4,489)
Loss for the period	(158)	(1,444)	(2,152)	(2,785)
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(181)	2,426	(1,033)	3,096
Non-controlling interests	(121)	(3,615)	(689)	(3,562)
Total comprehensive loss for the period	(302)	(1,189)	(1,722)	(466)

	Current year 30.6.2016 RM'000	Preceding year 30.6.2015 RM'000
Cash flows from:		
Operating activities	(2,067)	1,507
Investing activities	4,428	-
Financing activities	(3,178)	(915)
Foreign exchange translation differences	27	349
Net cash flow	(790)	941

At 30 June 2016, the assets and liabilities of the disposal group held for sale are as follows:

	As at	
	30.6.2016	**30.6.2015**
	RM'000	**RM'000**
Assets classified as held for sale		
Property, plant and equipment	10,172	13,560
Inventories	-	986
Receivables	-	1,356
Cash and cash equivalents	1,834	2,624
	12,006	18,526
Liabilities classified as held for sale		
Payables and accrual	17	1,779
Borrowings	-	2,982
Deferred tax liability	1,967	2,021
	1,984	6,782
Net assets of disposal group held for sale	10,022	11,744

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 year decreased from RM299.4 million in the prior year to RM252.4 million. This was due mainly to a decrease in IMS segment's revenue of RM47.5 million as a result of a decline in the revenue of the Semiconductor and Automotive divisions. The decline in revenue was due to overall weak demand. Revenue from the Resources segment declined marginally due to a drop in FFB production.

The Group's net result from continuing operations for the current year improved with a lower net loss of RM15.2 million as compared to RM43.0 million in the prior year. This was achieved on the back of improved results from the IMS segment and lower impairment losses on goodwill, property, plant and equipment and customer relationships but was offset partially by a lower gain on bargain purchase and an impairment loss on an associate. All the IMS divisions (despite the Semiconductor and Automotive divisions contributing lower revenues) recorded improved results due mainly to better cost models being implemented. The Energy segment which has not commenced commercial production registered higher losses in the current year as the Energy segment was only set up towards the end of the second quarter of the prior year. The Resources segment's net loss of RM0.2 million for the current year was slightly lower than in the prior year.

The Group's revenue from continuing operations decreased from RM68.7 million for the preceding year corresponding quarter to RM54.7 million for the current quarter. This was due mainly to a decline in the revenue from the IMS segment, with lower revenue recorded from all the IMS divisions, except for the PMST division. The Automotive division recorded the highest decline of RM15.3 million. The decrease in the revenue was mainly due to overall weak demand. The Resources segment's revenue was relatively unchanged.

The net loss from continuing operations for the current quarter declined from RM47.3 million in the preceding year corresponding quarter to RM15.8 million due mainly to improvements registered by all segments. All the IMS divisions chalked up improvements in their net results due mainly to better cost models being put in place. This was further augmented by lower impairment losses on goodwill, property, plant and equipment and customer relationships but was offset partially by an impairment loss on an associate.

B2. Material changes from the preceding quarter

Comparing quarter on quarter, the Group's revenue from continuing operations fell from RM61.4 million to RM54.7 million. This is due to a decrease in the revenue of the IMS segment from RM59.9 million to RM53.1 million underpinned by all the IMS divisions (except for the PMST division) registering a drop in their revenue. The decline was due to an overall weak demand. The Resources segment however registered a slight increase of RM0.7 million due to increase in FFB production and prices.

Net losses from continuing operations for the current quarter increased from RM1.3 million in the previous quarter to RM15.8 million. This was due mainly to the impairment losses on goodwill and on an associate.

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 (Energy Segment), the Group is able to diversify its risks and reduce its reliance on the IMS and Resources segment and also improve the long term revenue, profits and cash flows to the Group.

During the current quarter, the Energy segment continued to focus its operations on the drilling campaign in the Tanjung Enim production sharing contract ("PSC") in South Sumatra with the aim of upgrading resources and proving reserves. The Energy segment completed drilling another 3 pilot wells, TE-11, TE-13 and TE-14 to the targeted depth of between 408 meters to 460 meters. Results from logging revealed coal seams with total thickness of up to 45 meters with over 12 meters from a single seam. The results were expected and confirmed the consistency of the reservoir parameters from the two pilot wells drilled in the previous quarter and the other Tanjung Enim PSC wells, TE-007C, TE-008C and TE-009C drilled in 2015 that shows geological parameter similarities with other proven successful coal bed methane basins. Upon the completion of drilling, the campaign moved to the next phase of dewatering and production testing. The initial production performances were encouraging and the Energy segment will continue to monitor the production performance in preparation to upgrade the asset through reserves booking.

Nevertheless, the Energy Segment will take time before the Group can reap the returns from it.

B4. Financial Forecast and Profit Guarantee

Not applicable.

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.

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 year of the continuing operations are as follows:

	Current quarter 30.6.2016 RM'000	Financial period 30.6.2016 RM'000
Tax expense		
Malaysia -current year	578	2,884
Overseas – current	473	1,238
Deferred tax expense		
Malaysia - current year	(32)	(78)
Total income tax expense	1,019	4,044

The effective tax rate of the Group for the current quarter and year 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 June 2016, which were all secured, were as follows:

	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Current	18,075	-	18,075
Non-current	19,279	-	19,279
Total Group Borrowings	37,354	-	37,354

The borrowings denominated in foreign currency and RM as at 30 June 2016 was as follows:

	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Foreign Currency:			
- IDR 9,588,762,824@ RM0.0305/IDR100	2,925	-	2,925
RM	34,429	-	34,429
Total Group Borrowings	37,354	-	37,354

Foreign currency:
(1) IDR Indonesian Rupiah

B8. Material litigation

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

B9. Earnings per share

Basic earnings per share

i) The basic loss per share of the Group for the current quarter was computed as follows:

	Loss attributable to owners of the Company RM'000	Weighted average number of ordinary shares '000	Basic loss per share sen
Continuing operations	(15,830)	5,381,738	(0.294)
Discontinued operations	(95)	5,381,738	(0.002)
Total	(15,925)	5,381,738	(0.296)

ii) The basic loss per share of the Group for the current year was computed as follows:

	Loss attributable to owners of the Company RM'000	Weighted average number of ordinary shares '000	Basic loss per share sen
Continuing operations	(15,161)	5,381,738	(0.282)
Discontinued operations	(1,291)	5,381,738	(0.024)
Total	(16,452)	5,381,738	(0.306)

Diluted earnings per share

Diluted earnings per share for the current quarter and financial year are not applicable as there are no dilutive instruments as at year 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 30.6.2016 RM'000	Preceding year corresponding quarter 30.6.2015 RM'000	Current year 30.6.2016 RM'000	Preceding year 30.6.2015 RM'000
Amortisation of customer relationships	(99)	(414)	(395)	(1,658)
Amortisation of development costs	(209)	(124)	(582)	(471)
Amortisation of government grant	1	-	5	5
Bad debts written off	(164)	-	(164)	-
Changes in fair value of other investment	(37)	(31)	(43)	(81)
Depreciation	(3,352)	(4,047)	(14,452)	(17,138)
Foreign exchange gain/(loss)	1,087	(2,394)	602	714
Gain on sale of discontinued operations	-	8,284	-	8,284
Impairment loss on an associate	(6,934)	-	(6,934)	-
Impairment loss on customer relationships	-	(21,079)	-	(21,079)
Impairment loss on receivables (net)	-	566	-	486
Impairment loss on goodwill	(11,731)	(17,000)	(11,731)	(22,000)
Impairment loss on property, plant and equipment	-	(9,616)	-	(9,616)
Impairment loss on receivables (net)	-	(846)	-	(846)
Increase/(Decrease) in gain on bargain purchase	-	(829)	1,232	9,222
Inventories written off	(49)	(2,804)	(49)	(2,804)
(Loss)/Gain on disposal of property plant and equipment	(23)	(87)	(58)	31
Property, plant and equipment written off	(2)	(563)	(45)	(586)
Provision for warranties (net)	(472)	192	(1,052)	(472)
Rental income	3	3	12	12

B11. Realised and unrealised losses

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

	As at 30.6.2016 RM'000	As at 30.6.2015 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(260,859)	(260,453)
- Unrealised	(15,845)	(8,616)
	(276,704)	(269,069)
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	121,065	133,793
Total accumulated losses	(157,689)	(137,326)