



GLOBALTEC FORMATION BERHAD

(Incorporated in Malaysia)

Company No: 953031-A

FIRST QUARTERLY REPORT FOR THE FINANCIAL YEAR ENDING 30 JUNE 2017

Contents	Page
Condensed unaudited consolidated statement of profit or loss and other comprehensive income.....	2
Condensed unaudited consolidated statement of financial position.....	3
Condensed unaudited consolidated statement of changes in equity.....	4
Condensed unaudited consolidated statement of cash flows.....	5
Notes to the interim financial report.....	7
Other notes pursuant to Bursa Malaysia Securities Berhad's Main Market Listing Requirements: Chapter 9, Appendix 9B, Part A	14



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

	Current quarter	Preceding year corresponding quarter	Period to date	Preceding period
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Revenue	46,048	52,157	46,048	52,157
Cost of sales	(36,136)	(39,230)	(36,136)	(39,230)
Gross profit	9,912	12,927	9,912	12,927
Other operating expenses	(11,335)	(12,565)	(11,335)	(12,565)
Other operating income	6,006	2,182	6,006	2,182
Results from operating activities	4,583	2,544	4,583	2,544
Finance income	237	121	237	121
Finance costs	(594)	(818)	(594)	(818)
Profit from operations	4,226	1,847	4,226	1,847
Share of result of equity accounted investees, net of tax	-	-	-	-
Profit before tax	4,226	1,847	4,226	1,847
Tax expense	(660)	(1,029)	(660)	(1,029)
Profit from continuing operations	3,566	818	3,566	818
(Loss)/Profit from discontinued operations, net of tax	(902)	347	(902)	347
Profit for the period	2,664	1,165	2,664	1,165
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	3,847	16,833	3,847	16,833
Total comprehensive income for the period	6,511	17,998	6,511	17,998
Profit/(Loss) attributable to:				
Owners of the Company - continuing operations	4,792	697	4,792	697
- discontinued operations	(847)	401	(847)	401
Non-controlling interests - continuing operations	(1,226)	121	(1,226)	121
- discontinued operations	(55)	(54)	(55)	(54)
Profit for the period	2,664	1,165	2,664	1,165
Total comprehensive income/(expense) attributable to:				
Owners of the Company - continuing operations	7,350	8,413	7,350	8,413
- discontinued operations	(847)	1,229	(847)	1,229
Non-controlling interests - continuing operations	63	7,858	63	7,858
- discontinued operations	(55)	498	(55)	498
Total comprehensive income for the period	6,511	17,998	6,511	17,998
Basic earnings/(loss) per ordinary share (sen)				
- Continuing operations	0.089	0.013	0.089	0.013
- Discontinued operations	(0.016)	0.007	(0.016)	0.007
	0.073	0.020	0.073	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 2016)



Condensed unaudited consolidated statement of financial position as at 30 September 2016

	As at 30.9.2016 RM'000	Audited 30.6.2016 RM'000
Non-current assets		
Property, plant and equipment	85,402	126,079
Biological assets	39,919	39,919
Exploration and evaluation	133,000	128,220
Other investment	39	37
Intangible assets	32,585	30,049
Total non-current assets	<u>290,945</u>	<u>324,304</u>
Current assets		
Receivables, deposits and prepayments	59,028	65,062
Inventories	34,043	37,124
Other investments	414	428
Current tax assets	1,450	1,849
Cash and cash equivalents	51,165	53,101
	<u>146,100</u>	<u>157,564</u>
Assets classified as held for sale	62,147	12,006
Total current assets	<u>208,247</u>	<u>169,570</u>
TOTAL ASSETS	<u>499,192</u>	<u>493,874</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)	(157,080)
Reserves	(184,978)	(191,785)
	<u>301,605</u>	<u>294,782</u>
Non-controlling interests	88,231	92,232
Total equity	<u>389,836</u>	<u>387,014</u>
Long term and deferred liabilities		
Borrowings	18,900	18,694
Deferred tax liabilities	13,994	13,830
Total long term and deferred liabilities	<u>32,894</u>	<u>32,524</u>
Current liabilities		
Payables and accruals	50,574	51,533
Tax liabilities	345	439
Provision for warranties	1,753	1,721
Borrowings	17,288	18,659
	<u>69,960</u>	<u>72,352</u>
Liabilities classified as held for sale	6,502	1,984
Total current liabilities	<u>76,462</u>	<u>74,336</u>
Total liabilities	<u>109,356</u>	<u>106,860</u>
TOTAL EQUITY AND LIABILITIES	<u>499,192</u>	<u>493,874</u>
Net assets per share attributable to owners of the Company (RM)	0.056	0.055

(The condensed unaudited consolidated statement of financial position should be read in conjunction with the Annual Financial Report for the year ended 30 June 2016)



Condensed unaudited consolidated statement of changes in equity for the financial period ended 30 September 2016

	← Attributable to owners of the Company →										
	Share capital	Share premium	Capital reserve	Foreign currency translation reserve	Available for sale financial asset reserve	Fair value adjustment reserve	Business combination 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 2016	538,174	105,473	6,041	3,720	(3)	(44,479)	(157,064)	(157,080)	294,782	92,232	387,014
Total comprehensive income for the period	-	-	-	2,558	-	-	-	3,945	6,503	8	6,511
Transfer to accumulated losses due to permanent indication of impairment	-	-	-	-	3	-	-	317	320	-	320
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(4,009)	(4,009)
At 30 September 2016	538,174	105,473	6,041	6,278	-	(44,479)	(157,064)	(152,818)	301,605	88,231	389,836

	← Attributable to owners of the Company →										
	Share capital	Share premium	Capital reserve	Foreign currency translation reserve	Available for sale financial asset reserve	Fair value adjustment reserve	Business combination 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 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 period	-	-	-	8,544	-	-	-	1,098	9,642	8,356	17,998
At 30 September 2015	538,174	105,473	6,041	9,134	(10)	(44,479)	(157,064)	(136,228)	321,041	85,327	406,368

(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 2016)

**Condensed unaudited consolidated statement of cash flows for the financial period ended 30 September 2016**

	Current period	Preceding year
	30.9.2016	corresponding
	RM'000	period
		30.9.2015
		RM'000
Cash flows from operating activities		
Profit/(Loss) before tax from:		
- continuing operations	4,226	1,847
- discontinued operations	(902)	333
	<hr/> 3,324	<hr/> 2,180
Adjustments for:		
Amortisation of customer relationships	99	99
Amortisation of development costs	171	125
Amortisation of government grant	-	(2)
Changes in fair value of other investment	14	22
Depreciation	3,437	3,947
Finance costs	607	919
Finance income	(267)	(156)
Gain on sale of discontinued operations	(4,388)	-
Gain on disposal of property, plant and equipment	-	(17)
Impairment loss on available for sale financial asset	320	-
Provision for warranties (net)	124	177
Reversal of impairment loss on property, plant and equipment	-	(1,262)
Unrealised foreign exchange gain	(411)	(2,038)
Operating profit before working capital changes	<hr/> 3,030	<hr/> 3,994
Changes in working capital:		
Inventories	(3,210)	7,641
Receivables, deposits and prepayments	5,846	9,414
Payables and accruals	(7,862)	(11,781)
Cash (used in)/generated from operations	<hr/> (2,196)	<hr/> 9,268
Warranties paid	(93)	(298)
Taxation paid	(604)	(1,095)
Net cash (used in)/generated from operating activities	<hr/> (2,893)	<hr/> 7,875
Cash flows from investing activities		
Withdrawal of other investments	-	286
Development costs paid	(2,805)	(20)
Exploration and evaluation expenditure incurred	(1,946)	(6,766)
Interest received	267	156
Proceeds from disposal of property, plant and equipment	-	4,432
Proceeds from disposal of subsidiaries	8,567	-
Purchase of property, plant and equipment	(186)	(885)
Net cash generated from/(used in) investing activities	<hr/> 3,897	<hr/> (2,797)



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

	Current period	Preceding year
	30.9.2016	corresponding
	RM'000	period
		30.9.2015
		RM'000
Cash flows from financing activities		
Interest paid	(607)	(919)
Repayment of bank borrowings – net	(874)	(3,659)
(Additions in)/Withdrawal of pledged deposits with licensed banks	(171)	7
Net cash used in financing activities	(1,652)	(4,571)
Net (decrease)/increase in cash and cash equivalents	(648)	507
Effect of foreign exchange fluctuation on cash and cash equivalents	464	3,361
Cash and cash equivalents at beginning of period	53,622	54,615
Cash and cash equivalents at end of period	53,438	58,483

	← Current period →			← Preceding year corresponding period →		
	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	40,835	2,420	43,255	47,558	6,805	54,363
Deposits with licensed banks	10,330	1,013	11,343	9,062	1,013	10,075
	51,165	3,433	54,598	56,620	7,818	64,438
Less:						
Bank overdrafts	(120)	-	(120)	(3,270)	-	(3,270)
Deposits pledged as security	(171)	(869)	(1,040)	(1,816)	(869)	(2,685)
	50,874	2,564	53,438	51,534	6,949	58,483

(The condensed unaudited consolidated statement of cash flows should be read in conjunction with the Annual Financial Report for the year ended 30 June 2016)

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 2016.

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 2017

- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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*
- MFRS 15, *Clarifications to MFRS 15, Revenue from Contracts with Customers (Amendments)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

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

- from the annual period beginning on 1 July 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 July 2018 for those accounting standards and amendments that are effective for annual periods beginning on or after 1 January 2018.
- from the annual period beginning on 1 July 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

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 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 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 a subsidiary, GuangDong Jotech Kong Yue Precision Industries Ltd (“JKY”). The divestment of JKY was completed in the first quarter of the current financial year. Also, as mentioned in Note B5, the Company had in the current year announced the Group entering into term sheet for its intended disposal of equity interest in another subsidiary, AIC Semiconductor Sdn Bhd (“AICS”).

As such, JKY and AICS 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 period have been adjusted to reflect the after-tax results of AICS, 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 corresponding period have been adjusted to reflect the after-tax results of JKY and AICS being aggregated and presented as a single line item;
- c) the assets of AICS, have been accounted at the lower of its cost or its fair values less costs to sell, and AICS'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 September 2016;

- d) 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 audited consolidated statements of financial position as at 30 June 2016;

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 2016.

A7. Dividends

The Board does not recommend any dividend for the financial period ended 30 September 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 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) The Group had on 26 July 2016, completed its disposal of JKY. The disposal had the following effects to the Group.

a) Gain on disposal

	Amount (RM'000)
Total consideration	10,401
Share of net assets of JKY at date of disposal	(6,013)
Net gain on disposal	<u>4,388</u>

b) Net cash effect

	Amount (RM'000)
Total consideration	10,401
Cash and cash equivalents of JKY at date of disposal	(1,834)
Net cash inflow on disposal	<u>8,567</u>

A11. Capital commitments

Capital commitments as at 30 September 2016 were as follows:

	RM'000
Approved and contracted for:	
- Purchase of plant and equipment:	1,716
- Lease agreements	910
	<u>2,626</u>
Approved but not contracted for:	
- Unconventional gas exploration activities	22,941
Total	<u>25,567</u>

A12. Contingent liabilities/assets

As at 30 September 2016, the Company had executed corporate guarantees in favour of licensed financial institutions of up to a limit of RM71.4 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 RM31.7 million was outstanding at the period end.

The corporate guarantee of RM5.0 million provided by the Company to the joint venture as at 30 September 2016 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. Segmental information

Analysis by business segments being the primary basis of the Group's segmental reporting for the financial period ended 30 September 2016 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	43,535	5,987	-	2,513	-	-	52,035	5,987	46,048
Inter-segment revenue	19	-	-	-	852	(871)	-	-	-
Total revenue	<u>43,554</u>	<u>5,987</u>	<u>-</u>	<u>2,513</u>	<u>852</u>	<u>-</u>	<u>52,035</u>	<u>5,987</u>	<u>46,048</u>
Segment profit/(loss)	<u>1,830</u>	<u>(902)</u>	<u>(2,523)</u>	<u>832</u>	<u>4,089</u>	<u>(2)</u>	<u>3,324</u>	<u>(902)</u>	<u>4,226</u>

	Integrated manufacturing services		Energy RM'000	Resources RM'000	Investment holding RM'000	Consolidation adjustments RM'000	Consolidated RM'000
	Continuing operations RM'000	Discontinued operations RM'000					
Segment assets	191,574	62,147	142,895	68,329	78,709	(73,507)	470,147
Customer relationships							6,611
Goodwill on consolidation							22,434
Consolidated total assets							<u>499,192</u>

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 period ended 30 September 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 30.9.2016 RM'000	Preceding year corresponding quarter 30.9.2015 RM'000	Current period 30.9.2016 RM'000	Preceding year corresponding period 30.9.2015 RM'000
Revenue	5,987	11,014	5,987	11,014
Loss before tax	(902)	333	(902)	333
Tax expense	-	14	-	14
Loss for the period	(902)	347	(902)	347
Other comprehensive income	-	1,380	-	1,380
Total comprehensive (expense)/income for the period	(902)	1,727	(902)	1,727
(Loss)/Profit for the period attributable to:				
Owners of the Company	(847)	401	(847)	401
Non-controlling interests	(55)	(54)	(55)	(54)
(Loss)/Profit for the period	(902)	347	(902)	347
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(847)	1,229	(847)	1,229
Non-controlling interests	(55)	498	(55)	498
Total comprehensive (expense)/income for the period	(902)	1,727	(902)	1,727
Cash flows from:				
Operating activities			1,493	408
Investing activities			24	4,441
Financing activities			(13)	(2,763)
Foreign exchange translation differences			-	487
Net cash flow			1,504	2,573

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

	As at	
	30.9.2016	30.6.2016
	RM'000	RM'000
Assets classified as held for sale		
Property, plant and equipment	38,313	10,172
Inventories	6,670	-
Receivables	13,684	-
Tax recoverable	47	-
Cash and cash equivalents	3,433	1,834
	<u>62,147</u>	<u>12,006</u>
Liabilities classified as held for sale		
Payables and accrual	6,414	17
Borrowings	88	-
Deferred tax liability	-	1,967
	<u>6,502</u>	<u>1,984</u>
 Net assets of disposal group held for sale	 <u>55,645</u>	 <u>10,022</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 decreased from RM52.2 million for the preceding year corresponding quarter to RM46.0 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. The Automotive division recorded the steepest decline of RM8.8 million. The decrease in the revenue was mainly due to overall weak demand. The Resources segment registered an increase in its revenue from RM1.7 million to RM 2.5 million due mainly to an increase in FFB prices.

The net profit from continuing operations for the current quarter improved from RM0.7 million in the preceding year corresponding quarter to RM4.8 million due mainly to a gain on disposal of a subsidiary of RM4.4 million recognised during the current quarter

B2. Material changes from the preceding quarter

Comparing quarter on quarter, the Group’s revenue from continuing operations fell from RM51.8 million to RM46.0 million. This is due to a decrease in the revenue of the IMS segment from RM50.3 million to RM43.5 million underpinned by all the IMS divisions registering a drop in their revenue. The decline was due to an overall weak demand. The Resources segment however registered a slight increase of RM0.8 million due to increase in FFB production and prices.

The results from continuing operations for the current quarter registered a positive turnaround from a net loss of RM14.2 million to a net profit of RM4.8 million. This was mainly due to a decrease in impairment losses on goodwill and on an associate totalling RM18.7 million and the recognition of a gain on disposal of a subsidiary of RM4.4 million.

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 on the dewatering and production testing for the Tanjung Enim Production Sharing Contract (“PSC”) Pilot Production Program (“TE PPP”) and the drilling preparations for Muralim PSC and Muara Enim II PSC. The early dewatering and production testing results of the TE PPP have been encouraging. Currently, progress is being made towards optimising the production. While TE PPP optimisation continued, discussions with SKK Migas (“Special Task Force for Upstream Oil & Gas Business Activities”) of Indonesia and Perusahaan Listrik Negara (“Indonesian State-Owned Electricity Company”) were initiated to explore the commercial schemes for the TE PPP for power generation. Further

discussions to define the commercial scheme will continue with these parties once the dewatering and production parameters are able to characterise the producing coal seams of the TE PPP. The gas sales from the TE PPP, which is subject to the successful production optimisation and negotiation with the relevant parties, will enable the Energy segment to both commence generating revenue and proposing the Plan of Development for Tanjung Enim PSC.

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.

- i) 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.
- ii) The Group had on 19 September 2016 entered into a term sheet for the intended disposal of 80% of its equity interests in AICS to Suzhou Good-Ark Electronics Co Ltd (“the Purchaser”) for a total cash consideration which is to be determined by reference to the net assets value of AICS as at 31 May 2016 and the results of a due diligence to be conducted by the Purchaser and at such sum to be mutually agreed by all the parties. Within 7 business days from the completion of the due diligence and subject to the Purchaser’s satisfaction to the due diligence results, the parties shall enter into a formal agreement upon such terms and conditions to be mutually agreed. As at the date of this report, the due diligence has not been completed.

B6. Taxation

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

	Current quarter/period 30.9.2016 RM’000
Tax expense	
Malaysia -current year	325
Overseas – current	335
Total income tax expense	<u>660</u>

The effective tax rate of the Group for the current quarter and period is lower than the statutory tax rate principally due mainly to certain income recognised during the quarter/period not being subject to tax.

B7. Borrowings

The Group's borrowings as at 30 September 2016, which were all secured, were as follows:

	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Current	17,288	88	17,376
Non-current	18,900	-	18,900
Total Group Borrowings	36,188	88	36,276

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

	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Foreign Currency:			
- IDR8,281,204,259@ RM0.0319/IDR100	2,642	-	2,642
RM	33,546	88	33,634
Total Group Borrowings	36,188	88	36,276

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

The basic earnings/(loss) 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	4,792	5,381,738	0.089
Discontinued operations	(847)	5,381,738	(0.016)
Total	3,945	5,381,738	0.073

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 30.9.2016 RM'000	Preceding year corresponding quarter 30.9.2015 RM'000	Current period 30.9.2016 RM'000	Preceding year corresponding period 30.9.2015 RM'000
Amortisation of customer relationships	(99)	(99)	(99)	(99)
Amortisation of development costs	(171)	(125)	(171)	(125)
Amortisation of government grant	-	2	-	2
Changes in fair value of other investment	(14)	(22)	(14)	(22)
Depreciation	(3,437)	(3,947)	(3,437)	(3,947)
Foreign exchange gain	390	2,501	390	2,501
Gain on sale of discontinued operations	4,388	-	4,388	-
Gain on disposal of property plant and equipment	-	17	-	17
Impairment loss on available for sale financial asset	320	-	320	-
Provision for warranties (net)	(124)	(177)	(124)	(177)
Reversal of impairment loss on property, plant and equipment	-	1,262	-	1,262

B11. Realised and unrealised losses

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

	As at 30.9.2016 RM'000	As at 30.6.2016 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(265,623)	(267,447)
- Unrealised	(13,913)	(17,225)
	<u>(279,536)</u>	<u>(284,672)</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	128,768	129,642
Total accumulated losses	<u>(152,818)</u>	<u>(157,080)</u>