GLOBALTEC FORMATION BERHAD

(Incorporated in Malaysia)

Company No: 953031-A

SECOND QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDING 30 JUNE 2017

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Condensed unaudited consolidated statement of profit or loss and other comprehensive income for the financial period ended 31 December 2016

	Current quarter	Preceding year corresponding quarter	Period to date	Preceding year corresponding period
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Revenue	52,896	65,762	98,944	117,919
Cost of sales	(38,012)	(51,619)	(74,148)	(90,849)
Gross profit	14,884	14,143	24,796	27,070
Other operating expenses	(13,291)	(12,840)	(24,626)	(25,405)
Other operating income	1,075	2,142	7,081	4,324
Results from operating activities	2,668	3,445	7,251	5,989
Finance income	332	11	569	132
Finance costs	(464)	(936)	(1,058)	(1,754)
Profit before tax	2,536	2,520	6,762	4,367
Tax expense	(1,142)	(1,209)	(1,802)	(2,238)
Profit from continuing operations	1,394	1,311	4,960	2,129
Loss from discontinued operations, net of tax	(7,840)	(1,180)	(8,743)	(833)
(Loss)/Profit for the period	(6,446)	131	(3,783)	1,296
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	13,034	14	16,881	16,847
Total comprehensive income for the period	6,588	145	13,098	18,143
Profit/(Loss) attributable to:				
Owners of the Company - continuing operations	2,025	1,312	6,817	2,008
- discontinued operations	(7,359)	(926)	(8,206)	(525)
Non-controlling interests - continuing operations	(632)	(1)	(1,857)	121
- discontinued operations	(481)	(254)	(537)	(308)
(Loss)/Profit for the period	(6,447)	131	(3,783)	1,296
Total comprehensive income/(expense) attributable to:				
Owners of the Company - continuing operations	8,997	3,609	16,346	12,022
- discontinued operations	(7,359)	(1,074)	(8,206)	155
Non-controlling interests - continuing operations	5,431	(2,037)	5,495	5,821
- discontinued operations	(481)	(353)	(537)	145
Total comprehensive income for the period	6,588	145	13,098	18,143
Basic earnings/(loss) per ordinary share (sen)				
- Continuing operations	0.038	0.024	0.127	0.037
- Discontinued operations	(0.137)	(0.017)	(0.152)	(0.010)
	(0.099)	0.007	(0.025)	0.027
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 31 December 2016

	As at 31.12.2016 RM'000	Audited 30.6.2016 RM'000
Non-current assets		
Property, plant and equipment	84,097	126,079
Biological assets	39,919	39,919
Exploration and evaluation	148,679	128,220
Other investment	56	37
Intangible assets	29,593	30,049
Deferred tax assets	83	-
Total non-current assets	302,427	324,304
Current assets		
Receivables, deposits and prepayments	53,614	65,062
Inventories	33,450	37,124
Other investments	420	428
Current tax assets	2,012	1,849
Cash and cash equivalents	53,061	53,101
	142,557	157,564
Assets classified as held for sale	54,813	12,006
Total current assets	197,370	169,570
TOTAL ASSETS	499,797	493,874
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	(183,341)	(191,801)
	303,242	294,782
Non-controlling interests	93,181	92,232
Total equity	396,423	387,014
Long term and deferred liabilities		
Borrowings	17,517	18,694
Deferred tax liabilities	13,943	13,830
Total long term and deferred liabilities	31,460	32,524
Current liabilities		
Payables and accruals	45,338	51,533
Tax liabilities	415	439
Provision for warranties	1,767	1,721
Borrowings	17,384	18,659
	64,904	72,352
Liabilities classified as held for sale	7,010	1,984
Total current liabilities	71,914	74,336
Total liabilities	103,374	106,860
TOTAL EQUITY AND LIABILITIES	499,797	493,874
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 31 December 2016

	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
	← Attributable to owners of the Company								→		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 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/(expense) for the period	-	-	-	9,529	-	-	-	(1,389)	8,140	4,958	13,098
Transfer to accumulated losses due to permanent indication of impairment	-	-	-	-	3	-	-	317	320	-	320
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(4,009)	(4,009)
At 31 December 2016	538,174	105,473	6,041	13,249	-	(44,479)	(157,064)	(158,152)	303,242	93,181	396,423

	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
	← Attributable to owners of the Company								→		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 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	-	-	-	10,687	7	-	-	1,483	12,177	5,966	18,143
Subscription of shares in a subsidiary by non-controlling interests	-	-	-	-	-	-	-	-	-	16,917	16,917
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	(911)	(911)
At 31 December 2015	538,174	105,473	6,041	11,277	(3)	(44,479)	(157,064)	(135,843)	323,576	98,943	422,519

(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 31 December 2016

	Current period 31.12.2016 RM'000	Preceding year corresponding period 31.12.2015 RM'000
Cash flows from operating activities		
(Loss)/Profit before tax from:		
- continuing operations	6,762	4,367
- discontinued operations	(8,743)	(860)
	(1,981)	3,507
Adjustments for:		
Allowance for inventories obsolescence	1,344	-
Amortisation of customer relationships	197	197
Amortisation of development costs	259	250
Bad debts written off	31	-
Changes in fair value of other investment	7	24
Depreciation	6,866	7,592
Finance costs	1,082	1,899
Finance income	(601)	(275)
Gain on bagain purchase	-	(1,232)
Gain on sale of discontinued operations	(4,388)	-
Gain on disposal of property, plant and equipment	27	(20)
Impairment loss on available for sale financial asset	306	-
Impairment loss on property, plant and equipment	4,968	-
Property, plant and equipment written off	50	7
Provision for warranties (net)	124	177
Reversal of impairment loss on property, plant and equipment	-	(1,103)
Unrealised foreign exchange gain	(562)	(817)
Operating profit before working capital changes	7,729	10,203
Changes in working capital:		
Inventories	(1,714)	8,697
Receivables, deposits and prepayments	11,750	17,302
Payables and accruals	(13,274)	(19,422)
Cash generated from operations	4,491	16,780
Warranties paid	(79)	(164)
Taxation paid	(2,556)	(2,275)
Net cash generated from operating activities	1,856	14,341
Cash flows from investing activities		
Withdrawal of other investments	-	1,094
Development costs paid	-	(28)
Exploration and evaluation expenditure incurred	(6,349)	(11,811)
Interest received	601	275
Proceeds from disposal of property, plant and equipment	51	4,524
Proceeds from disposal of subsidiaries	8,567	-
Purchase of property, plant and equipment	(883)	(894)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	-	(2,791)
Net cash generated from/(used in) investing activities	1,987	(9,631)

Condensed unaudited consolidated statement of cash flows for the financial period ended 31 December 2016
(continued)

	Current period 31.12.2016 RM'000	Preceding year corresponding period 31.12.2015 RM'000
Cash flows from financing activities		
Interest paid	(1,082)	(1,899)
Subscription of shares in a subsidiary by non-controlling interests	-	13,005
Repayment of bank borrowings – net	(2,103)	(6,825)
(Additions)/Withdrawal in pledged deposits with licensed banks	(175)	1,196
Net cash used in financing activities	(3,360)	5,477
Net increase in cash and cash equivalents	483	10,187
Effect of foreign exchange fluctuation on cash and cash equivalents	1,523	1,957
Cash and cash equivalents at beginning of period	53,622	54,615
Cash and cash equivalents at end of period	55,628	66,759

	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	41,126	2,599	43,725	55,926	5,492	61,418
Deposits with licensed banks	11,935	1,013	12,948	8,100	1,013	9,113
	53,061	3,612	56,673	64,026	6,505	70,531
Less:						
Bank overdrafts	-	-	-	(2,276)	-	(2,276)
Deposits pledged as security	(176)	(869)	(1,045)	(320)	(869)	(1,496)
	52,885	2,743	55,628	61,430	5,636	66,759

(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 that the Group had entered into equity transfer agrements to divest of a subsidiary, GuangDong Jotech Kong Yue Precision Industries Ltd ("JKY"). The divestment of JKY was completed in the beginning of the current financial year. Also, as mentioned in Note B5, the Company had in the current financial year announced the Group entering into a sale and purchase agreement for the 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 31 December 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 31 December 2016.

A7. Dividends

The Board does not recommend any dividend for the financial period ended 31 December 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	4,388

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	8,567

A11. Capital commitments

Capital commitments as at 31 December 2016 were as follows:

	RM'000
Approved and contracted for:	
- Purchase of plant and equipment:	141
- Lease agreements	766
	907
Approved but not contracted for:	
- Uncoventional gas exploration activities	46,360
Total	47,267

A12. Contingent liabilities/assets

As at 31 December 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 RM30.6 million was outstanding at the period end.

The corporate guarantee of RM5.0 million provided by the Company to the joint venture as at 31 December 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 RM0.6 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 31 December 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	93,817	12,171	-	5,127	-	-	111,115	12,171	98,944
Inter-segment revenue	-	-	-	-	1,410	(1,410)	-	-	-
Total revenue	93,817	12,171	-	5,127	1,410		111,115	12,171	98,944
Segment profit/(loss)	6,055	(8,743)	(4,904)	1,937	3,674	-	(1,981)	(8,743)	6,762

	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	187,772	54,813	154,140	69,530	77,744	(73,148)	470,851
Customer relationships							6,512
Goodwill on consolidation							22,434
Consolidated total assets							499,797

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 31 December 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 31.12.2016 RM'000	Preceding year corresponding quarter 31.12.2015 RM'000	Current period 31.12.2016 RM'000	Preceding year corresponding period 31.12.2015 RM'000
Revenue	6,184	9,808	12,171	20,821
Loss before tax	(7,840)	(1,194)	(8,743)	(860)
Tax expense	-	14	-	27
Loss for the period	(7,840)	(1,180)	(8,743)	(833)
Other comprehensive income	-	(247)	-	1,133
Total comprehensive (expense)/income for the period	(7,840)	(1,427)	(8,743)	300
Loss for the period attributable to:				
Owners of the Company	(7,359)	(926)	(8,206)	(525)
Non-controlling interests	(481)	(254)	(537)	(308)
Loss for the period	(7,840)	(1,180)	(8,743)	(833)
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(7,359)	(1,074)	(8,206)	155
Non-controlling interests	(481)	(353)	(537)	145
Total comprehensive (expense)/income for the period	(7,840)	(1,427)	(8,743)	300
Cash flows from:				
Operating activities			2,563	334
Investing activities			18	4,644
Financing activities			115	(3,952)
Foreign exchange translation differences			-	234
Net cash flow			2,696	1,260

At 31 December 2016, the assets and liabilities of the disposal group held for sale are as follows:

	As at	
	31.12.2016	**30.6.2016**
	RM'000	**RM'000**
Assets classified as held for sale		
Property, plant and equipment	32,761	10,172
Inventories	4,776	-
Receivables	13,609	-
Tax recoverable	55	-
Cash and cash equivalents	3,612	1,834
	54,813	12,006
Liabilities classified as held for sale		
Payables and accrual	6,871	17
Borrowings	139	-
Deferred tax liability	-	1,967
	7,010	1,984
Net assets of disposal group held for sale	47,803	10,022

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 (now classified as discontinued operations); 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 RM65.8 million for the preceding year corresponding quarter to RM52.9 million for the current quarter. This was due mainly to a decline in the revenue from the Automotive division of the IMS segment. The decrease in the revenue was mainly due to overall weak demand. The PMST division however recorded an increase in its revenue. The Resources segment registered an increase in its revenue from RM1.8 million to RM2.6 million due mainly to an increase in FFB prices.

The net profit from continuing operations for the current quarter improved from RM1.3 million in the preceding year corresponding quarter to RM2.0 million due mainly to both the IMS and Resources segments recording improved net profits. The increase in IMS segment's net profit was achieved on the back of higher net profits earned by the PMST division which was in tandem with its higher revenue.

B2. Material changes from the preceding quarter

Comparing quarter on quarter, the Group's revenue from continuing operations increased from RM46.0 million to RM52.9 million. This was due to increase in the revenue of both the IMS and Resources segments. The PMST and Automotive divisions chalked up higher revenues due to better demand. The increase in the revenue from the Resources segment was due to an increase in FFB production and prices.

The net profit from continuing operations for the current quarter decreased from RM4.8 million in the previous quarter to RM2.0 million due mainly to a non-recurring gain on disposal of a subsidiary of RM4.4 million recorded in the previous 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 (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's operations were mainly focussed on the completion of the Tanjung Enim ("TE") Pilot Production Program ("PPP") for the reserves booking and certification while field operations commenced at the Muralim Production Sharing Contract ("PSC") and Muara Enim II PSC.

As announced by the Company on 22 February 2017, the Energy segment has received initial certification of reserves for its TE PPP. With this certification, the Energy segment will carry this momentum to continue towards the preparation of Plan of Development in 2017.

The program in the Muralim PSC covers activities to drill a well to conduct permeability tests and to re-enter 2 existing wells to conduct permeability tests. The program will enable the Energy segment to improve on the coal characterisation to the eastern part of the Muralim PSC. Towards the end of 2016, drilling commenced on the exploratory well MU-004. Drilling is currently on-going and will drill to the targeted depth of 710 meters for permeability tests to be conducted. During the same period, permeability tests were conducted on 2 existing wells, MU#X01 and MU#X02, and currently undergoing data analysis. The completion of the program is expected to satisfy the PSC firm commitments during the Exploration Period and will enable the application for an extension of the Exploration Period. The Exploration Period has ended on 2 December 2016 and the Energy segment has been granted up to the end of February 2017 to complete the program and apply for the Exploration Period extension.

Pre-drilling operations on land clearance and building access roads for Muara Enim II PSC were completed towards the end of 2016. Drill pad construction is currently in progress and the program will cover the drilling of 3 production wells. The program is expected to fulfil the PSC firm commitments during the Exploration Period that will end on 31 March 2017 and will enable the application for an extension of the Exploration Period. While enabling the application of the Exploration Period extension, the program will also help on the reservoir characterisation of the coal seams towards the western part of Muara Enim II PSC and will confirm the coal continuity throughout the other South Sumatra PSCs for future integrated development.

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 ("Intended Disposal") of 80% of its equity interests in AICS to Suzhou Good-Ark Electronics Co Ltd ("the Purchaser"). The Purchaser has completed the due diligence and that the Group and Atmel Corporation (the other remaining existing shareholder of AICS) (collectively referred to as the "Vendors") and the Purchaser had on 13 January 2017 entered into a sale and purchase agreement ("SPA") to formalise the Intended Disposal for the Vendors to dispose of 92% of their equity interests in AICS to the Purchaser for a cash consideration of RM46 million ("Consideration") ("Proposed Divestment").

For any losses incurred by AICS in the months of November and December 2016 that shall be responsible by the Vendors, the Purchaser may elect to request to deduct the said proportionate losses from the Consideration and pay a reduced amount of the Consideration. For any profits made by AICS in the months of November and December 2016, the Vendors may elect to receive the said proportionate profits in the form of an increased Consideration by adding the said proportioned profits to the Consideration. As at the date of this report, the Proposed Divestment 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 31.12.2016 RM'000	Financial period 31.12.2016 RM'000
Tax expense		
Malaysia -current year	953	1,278
Overseas – current	189	524
Total income tax expense	1,142	1,802

The effective tax rate of the continuing operations of 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 31 December 2016, which were all secured, were as follows:

	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Current	17,384	139	17,523
Non-current	17,517	-	17,517
Total Group Borrowings	34,901	139	35,040

The borrowings denominated in foreign currency and RM as at 31 December 2016 was as follows:

	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Foreign Currency:			
- IDR6,973,645,694@ RM0.0334/IDR100	2,329	-	2,329
RM	32,572	139	32,711
Total Group Borrowings	34,901	139	35,040

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 earnings/(loss) per share of the Group for the current quarter 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	2,025	5,381,738	0.038
Discontinued operations	(7,359)	5,381,738	(0.137)
Total	(5,334)	5,381,738	(0.099)

ii) The basic earnings/(loss) per share of the Group for the 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	6,817	5,381,738	0.127
Discontinued operations	(8,206)	5,381,738	(0.152)
Total	(1,389)	5,381,738	(0.025)

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 31.12.2016 RM'000	Preceding year corresponding quarter 31.12.2015 RM'000	Current period 31.12.2016 RM'000	Preceding year corresponding period 31.12.2015 RM'000
Allowance for inventories obsolescence	(1,344)	-	(1,344)	-
Amortisation of customer relationships	(98)	(98)	(197)	(197)
Amortisation of development costs	(88)	(125)	(259)	(250)
Amortisation of government grant	-	1	-	3
Bad debts written off	(31)	-	(31)	-
Changes in fair value of other investment	7	(2)	(7)	(24)
Depreciation	(3,429)	(3,645)	(6,866)	(7,592)
Foreign exchange gain/(loss)	172	(1,427)	562	1,074
Gain on sale of discontinued operations	-	-	4,388	-
Gain on bargain purchase	-	1,232	-	1,232
Gain on disposal of property plant and equipment	(27)	3	(27)	20
Impairment loss on property, plant and equipment	(4,968)	-	(4,968)	-
Impairment loss on available for sale financial asset	-	-	(306)	-
Property, plant and equipment written off	(50)	(7)	(50)	(7)
Provision for warranties (net)	-	-	(124)	(177)
Rental income	3	3	6	6
Reversal of impairment loss on property, plant and equipment	-	(159)	-	1,103

B11. Realised and unrealised losses

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

	As at 31.12.2016 RM'000	As at 30.6.2016 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(273,757)	(267,447)
- Unrealised	(9,667)	(17,225)
	(283,424)	(284,672)
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	127,322	129,642
Total accumulated losses	(158,152)	(157,080)