



GLOBALTEC FORMATION BERHAD

(Incorporated in Malaysia)

Company No: 953031-A

THIRD 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 March 2017

	Current quarter 31.03.2017 RM'000	Preceding year corresponding quarter 31.03.2016 RM'000	Period to date 31.03.2017 RM'000	Preceding year corresponding period 31.03.2016 RM'000
Continuing operations				
Revenue	46,813	54,614	145,923	172,809
Cost of sales	(34,395)	(43,132)	(108,543)	(133,981)
Gross profit	12,418	11,482	37,380	38,828
Other operating expenses	(11,710)	(14,174)	(36,364)	(39,855)
Other operating income	-	2,440	6,943	6,764
Results from operating activities	708	(252)	7,959	5,737
Finance income	253	286	822	476
Finance costs	(1,359)	(600)	(2,417)	(2,412)
(Loss)/Profit before tax	(398)	(566)	6,364	3,801
Tax expense	(1,426)	(787)	(3,230)	(3,025)
(Loss)/Profit from continuing operations	(1,824)	(1,353)	3,134	776
Loss from discontinued operations, net of tax	(71)	(2,524)	(8,814)	(3,357)
Loss for the period	(1,895)	(3,877)	(5,680)	(2,581)
Other comprehensive (expense)/income, net of tax				
Foreign currency translation differences for foreign operations	(1,884)	(14,662)	14,999	2,184
Total comprehensive (expense)/income for the period	(3,779)	(18,539)	9,319	(397)
(Loss)/Profit attributable to:				
Owners of the Company - continuing operations	(900)	(58)	5,918	1,949
- discontinued operations	(67)	(1,951)	(8,273)	(2,476)
Non-controlling interests - continuing operations	(924)	(1,295)	(2,784)	(1,173)
- discontinued operations	(4)	(573)	(541)	(881)
Loss for the period	(1,895)	(3,877)	(5,680)	(2,581)
Total comprehensive (expense)/income attributable to:				
Owners of the Company - continuing operations	(1,907)	(7,273)	14,440	4,749
- discontinued operations	(67)	(2,287)	(8,273)	(2,132)
Non-controlling interests - continuing operations	(1,801)	(8,182)	3,693	(2,362)
- discontinued operations	(4)	(797)	(541)	(652)
Total comprehensive (expense)/income for the period	(3,779)	(18,539)	9,319	(397)
Basic (loss)/earnings per ordinary share (sen)				
- Continuing operations	(0.017)	(0.014)	0.110	0.036
- Discontinued operations	(0.001)	(0.044)	(0.154)	(0.046)
	(0.018)	(0.058)	(0.044)	(0.010)
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 March 2017

	As at 31.03.2017 RM'000	Audited 30.6.2016 RM'000
Non-current assets		
Property, plant and equipment	81,585	126,079
Biological assets	39,919	39,919
Exploration and evaluation	152,606	128,220
Other investment	3,879	37
Intangible assets	29,444	30,049
Deferred tax assets	83	-
Total non-current assets	<u>307,516</u>	<u>324,304</u>
Current assets		
Receivables, deposits and prepayments	48,873	65,062
Inventories	31,417	37,124
Other investments	450	428
Current tax assets	2,302	1,849
Cash and cash equivalents	78,642	53,101
	<u>161,684</u>	<u>157,564</u>
Assets classified as held for sale	-	12,006
Total current assets	<u>161,684</u>	<u>169,570</u>
TOTAL ASSETS	<u>469,200</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)	(157,064)
Reserves	(185,314)	(191,801)
	<u>301,269</u>	<u>294,782</u>
Non-controlling interests	84,590	92,232
Total equity	<u>385,859</u>	<u>387,014</u>
Long term and deferred liabilities		
Borrowings	16,104	18,694
Deferred tax liabilities	14,097	13,830
Total long term and deferred liabilities	<u>30,201</u>	<u>32,524</u>
Current liabilities		
Payables and accruals	33,370	51,533
Tax liabilities	570	439
Provision for warranties	1,746	1,721
Borrowings	17,454	18,659
	<u>53,140</u>	<u>72,352</u>
Liabilities classified as held for sale	-	1,984
Total current liabilities	<u>53,140</u>	<u>74,336</u>
Total liabilities	<u>83,341</u>	<u>106,860</u>
TOTAL EQUITY AND LIABILITIES	<u>469,200</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)

Third Quarterly Report For The Financial Year Ending 30 June 2017

Condensed unaudited consolidated statement of changes in equity for the financial period ended 31 March 2017

	← 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/(expense) for the period	-	-	-	8,522	-	-	-	(2,355)	6,167	3,152	9,319
Transfer to accumulated losses due to permanent indication of impairment	-	-	-	-	3	-	-	317	320	-	320
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(10,794)	(10,794)
At 31 March 2017	538,174	105,473	6,041	12,242	-	(44,479)	(157,064)	(159,118)	301,269	84,590	385,859

	← 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/(expense) for the period	-	-	-	3,137	7	-	-	(527)	2,617	(3,014)	(397)
Subscription of shares in a subsidiary by non-controlling interests	-	-	-	-	-	-	-	-	-	16,917	16,917
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	(911)	(911)
At 31 March 2016	538,174	105,473	6,041	3,727	(3)	(44,479)	(157,064)	(137,853)	314,016	89,963	403,979

(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)

Third Quarterly Report For The Financial Year Ending 30 June 2017



Condensed unaudited consolidated statement of cash flows for the financial period ended 31 March 2017

	Current period	Preceding year
	31.03.2017	corresponding
	RM'000	period
		31.3.2016
		RM'000
Cash flows from operating activities		
(Loss)/Profit before tax from:		
- continuing operations	6,364	3,801
- discontinued operations	(8,814)	(3,398)
	<u>(2,450)</u>	<u>403</u>
Adjustments for:		
Allowance for inventories obsolescence	1,344	-
Amortisation of customer relationships	296	296
Amortisation of development costs	310	373
Amortisation of government grant	-	(4)
Bad debts written off	31	-
Changes in fair value of other investment	(22)	6
Depreciation	9,845	11,100
Finance costs	2,448	2,520
Finance income	(861)	(439)
Gain on bargain purchase	-	(1,232)
Gain on sale of discontinued operations	(3,558)	-
Impairment loss on available for sale financial asset	306	-
Impairment loss on property, plant and equipment	4,968	-
Loss/(Gain) on disposal of property, plant and equipment	29	(35)
Property, plant and equipment written off	50	43
Provision for warranties (net)	124	580
Reversal of impairment loss on property, plant and equipment	-	(1,088)
Unrealised foreign exchange gain	(387)	(1,375)
Operating profit before working capital changes	<u>12,473</u>	<u>11,148</u>
Changes in working capital:		
Inventories	140	7,711
Receivables, deposits and prepayments	13,037	28,216
Payables and accruals	(16,869)	(32,960)
Cash generated from operations	<u>8,781</u>	<u>14,115</u>
Warranties paid	(99)	(913)
Taxation paid	(4,241)	(3,390)
Net cash generated from operating activities	<u>4,441</u>	<u>9,812</u>
Cash flows from investing activities		
Withdrawal of other investments	-	1,089
Development costs paid	-	(29)
Exploration and evaluation expenditure incurred	(11,013)	(17,329)
Interest received	861	439
Net cash flow from disposal of subsidiaries	36,284	-
Proceeds from disposal of property, plant and equipment	79	4,483
Purchase of property, plant and equipment	(1,147)	(2,004)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	-	(2,791)
Net cash generated from/(used in) investing activities	<u>25,064</u>	<u>(16,142)</u>



Condensed unaudited consolidated statement of cash flows for the financial period ended 31 March 2017
(continued)

	Current period	Preceding year
	31.03.2017	corresponding
	RM'000	period
		31.3.2016
		RM'000
Cash flows from financing activities		
Interest paid	(2,448)	(2,520)
Repayment of bank borrowings – net	(3,567)	(4,992)
Withdrawal in pledged deposits with licensed banks	693	-
Net cash (used in)/generated from financing activities	<u>(5,322)</u>	<u>7,151</u>
Net increase in cash and cash equivalents	24,183	821
Effect of foreign exchange fluctuation on cash and cash equivalents	662	(1,616)
Cash and cash equivalents at beginning of period	<u>53,622</u>	<u>54,615</u>
Cash and cash equivalents at end of period	<u><u>78,467</u></u>	<u><u>53,820</u></u>

	← Current period →			← Preceding year corresponding period →		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	operations	operations	RM'000	operations	operations	RM'000
	RM'000	RM'000		RM'000	RM'000	RM'000
Cash and bank balances	69,507	-	69,508	42,183	4,509	46,692
Deposits with licensed banks	9,135	-	9,135	8,139	1,013	9,152
	<u>78,642</u>	<u>-</u>	<u>78,643</u>	<u>50,322</u>	<u>5,522</u>	<u>55,844</u>
Less:						
Bank overdrafts	-	-	-	(990)	-	(990)
Deposits pledged as security	(175)	-	(176)	(165)	(869)	(1,034)
	<u>78,467</u>	<u>-</u>	<u>78,467</u>	<u>49,167</u>	<u>4,653</u>	<u>53,820</u>

(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 agreements 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, the Company had in the current financial year announced and completed the Group's 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; 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 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 March 2017.

A7. Dividends

The Board does not recommend any dividend for the financial period ended 31 March 2017.

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

Save as disclosed below, there were no material events subsequent to the financial period end.

NuEnergy Gas Limited (“NGY”), a subsidiary of the Group listed on the Australian Securities Exchange, had on 12 May 2017, completed its renounceable pro-rata entitlement offer of 1 new share in NGY (“NGY Share”) for every 2 NGY Shares held at an issue price of A\$0.035 each (“NGY Offer”). The Group has subscribed for its entitlement of 319.1 million NGY Shares under the NGY Offer for a total subscription consideration of A\$11.2 million. On completion of the NGY Offer, the Group’s direct shareholding in NGY increased from 55% to 65% due to the NGY Offer was only 57% subscribed.

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

	RM’000
Total consideration	10,401
Share of net assets of JKY disposed	(6,013)
Net gain on disposal	4,388

b) Net cash effect

	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

- ii) The Group had on 9 March 2017, completed the disposal of equity interest in AICS. Pursuant to the disposal, the Group no longer has control in AICS, as the Group only has an 8% remaining equity interest in AICS. Consequently, AICS is no longer a subsidiary, but instead is reflected as an investment on the consolidated statement of financial position of the Group. The disposal had the following effects to the Group.

a) Loss on disposal

	RM'000
Total consideration (net)	36,297
Share of net assets of AICS disposed	(37,127)
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Net loss on disposal	(830)
	<hr/>

b) Net cash effect

	RM'000
Total consideration (net)	36,297
Cash and cash equivalents of AICS at date of disposal	(8,580)
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Net cash inflow on disposal	27,717
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A11. Capital commitments

Capital commitments as at 31 March 2017 were as follows:

	RM'000
Approved and contracted for:	
- Lease agreements	619
Approved but not contracted for:	
- Unconventional gas exploration activities	43,791
	<hr/>
Total	44,410
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A12. Contingent liabilities/assets

As at 31 March 2017, the Company had executed corporate guarantees in favour of licensed financial institutions of up to a limit of RM67.8 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 RM29.5 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 March 2017 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 RM0.3 million was outstanding at the period end.

A13. Debt and equity securities

There were no issuances, cancellations, share splits, repurchases and repayments of the Company's debt or equity securities for the financial period ended 31 March 2017.

A14. Discontinued operations/Disposal group held for sale

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

	Current quarter 31.3.2017 RM'000	Preceding year corresponding quarter 31.3.2016 RM'000	Current period 31.3.2017 RM'000	Preceding year corresponding period 31.3.2016 RM'000
Revenue	4,235	6,846	16,406	27,667
Loss before tax	(71)	(2,538)	(8,814)	(3,398)
Tax expense	-	14	-	41
Loss for the period	(71)	(2,524)	(8,814)	(3,357)
Other comprehensive (expense)/income	-	(560)	-	573
Total comprehensive expense for the period	(71)	(3,084)	(8,814)	(2,784)
Loss for the period attributable to:				
Owners of the Company	(67)	(1,951)	(8,273)	(2,476)
Non-controlling interests	(4)	(573)	(541)	(881)
Loss for the period	(71)	(2,524)	(8,814)	(3,357)
Total comprehensive expense attributable to:				
Owners of the Company	(67)	(2,287)	(8,273)	(2,132)
Non-controlling interests	(4)	(797)	(541)	(652)
Total comprehensive expense for the period	(71)	(3,084)	(8,814)	(2,784)
Cash flows from:				
Operating activities			7,677	(226)
Investing activities			(14)	4,488
Financing activities			-	(3,951)
Foreign exchange translation differences			-	(33)
Net cash flow			7,663	278

There was no disposal group held for sale as at 31 March 2017.



As at the end of the preceding financial year, the assets and liabilities of the disposal group held for sale are as follows:

	As at 30.6.2016 RM'000
Assets classified as held for sale	
Property, plant and equipment	10,172
Cash and cash equivalents	1,834
	<u>12,006</u>
Liabilities classified as held for sale	
Payables and accrual	17
Deferred tax liability	1,967
	<u>1,984</u>
 Net assets of disposal group held for sale	 <u>10,022</u>

A15. Segmental Information

Analysis by business segments being the primary basis of the Group's segmental reporting for the financial period ended 31 March 2017 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	138,232	16,406	149	7,342	200		162,329	16,406	145,923
Inter-segment revenue	-	-	-	-	1,871	(1,871)	-	-	-
Total revenue	138,232	16,406	149	7,342	2,071		162,329	16,406	145,923
Segment profit/(loss)	7,750	(8,814)	(6,680)	2,651	2,643	-	(2,450)	(8,814)	6,364

	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	180,241	-	158,520	68,324	111,730	(78,462)	440,353
Customer relationships							6,413
Goodwill on consolidation							22,434
Consolidated total assets							469,200

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 RM54.6 million for the preceding year corresponding quarter to RM46.8 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 of RM2.1 million in its revenue. The Resources segment registered an increase in its revenue from RM1.0 million to RM2.2 million due mainly to an increase in FFB production and prices.

The net loss from continuing operations for the current quarter increased from RM58,000 in the preceding year corresponding quarter to RM0.9 million due mainly to the loss on disposal of a subsidiary of RM0.8 million.

B2. Material changes from the preceding quarter

Comparing quarter on quarter, the Group’s revenue from continuing operations decreased from RM52.9 million to RM46.8 million. This was due mainly to a decline in the revenue of both the IMS and Resources segments. The Automotive division registering a drop in revenue due to overall weak demand contributed to the decline in the revenue of the IMS segment. The decrease in the revenue from the Resources segment was due to a decrease in FFB production.

The results from continuing operations for the current quarter declined from a net profit of RM2.0 million to a net loss of RM0.9 million. In tandem with the decline in revenue, both the IMS and Resources segments registered a decline in their net results. In addition, a non-recurring loss on disposal of a subsidiary of RM0.8 million was recorded in the current 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.

As announced on 22 February 2017, the Energy segment achieved a significant milestone during the quarter when it received an independent certification of Reserves for its Tanjung Enim Pilot Production Program (“TEPPP”). The TEP PP and the independent certification of Reserves for the TEP PP will provide the platform for the Energy segment to prepare the plan of development (“POD”) for approval from the Government of Indonesia and to move towards commercialising its Tanjung Enim PSC gas asset in Indonesia. As the Energy segment works to complete the required steps and obtain the necessary approvals for the POD, further increases in Reserves from Contingent Resources and from Prospective to Contingent Resources are expected.

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 period of the continuing operations are as follows:

	Current quarter 31.03.2017 RM'000	Financial period 31.03.2017 RM'000
Tax expense		
Malaysia -current year	663	1,942
- under/(over) provision in prior year	244	244
Overseas – current	<u>520</u>	<u>1,044</u>
Total income tax expense	<u><u>1,426</u></u>	<u><u>3,230</u></u>

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 March 2017, which were all secured, were as follows:

	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Current	17,454	-	17,454
Non-current	<u>16,104</u>	<u>-</u>	<u>16,104</u>
Total Group Borrowings	<u><u>33,558</u></u>	<u><u>-</u></u>	<u><u>33,558</u></u>

The borrowings denominated in foreign currency and RM as at 31 March 2017 was as follows:

	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Foreign Currency:			
- IDR5,666,087,129@ RM0.0332/IDR100	1,881	-	1,881
- RM	31,677	-	31,677
Total Group Borrowings	33,558	-	33,558

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	(900)	5,381,738	(0.017)
Discontinued operations	(67)	5,381,738	(0.001)
Total	(967)		(0.018)

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	5,918	5,381,738	0.110
Discontinued operations	(8,273)	5,381,738	(0.154)
Total	(2,355)		(0.044)

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 31.03.2017 RM'000	Preceding year corresponding quarter 31.3.2016 RM'000	Current period 31.03.2017 RM'000	Preceding year corresponding period 31.3.2016 RM'000
Allowance for inventories obsolescence	-	-	(1,344)	-
Amortisation of customer relationships	(99)	(99)	(296)	(296)
Amortisation of development costs	(51)	(123)	(310)	(373)
Amortisation of government grant	-	1	-	4
Bad debts written off	-	-	(31)	-
Changes in fair value of other investment	29	18	22	(6)
Depreciation	(2,979)	(3,508)	(9,845)	(11,100)
Foreign exchange (loss)/gain	(175)	(1,559)	387	(485)
Gain on bargain purchase	-	-	-	1,232
Impairment loss on property, plant and equipment	-	-	(4,968)	-
Impairment loss on available for sale financial asset	-	-	(306)	-
(Loss)/Gain on sale of discontinued operations	(830)	-	3,558	-
(Loss)/Gain on disposal of property plant and equipment	(2)	15	(29)	35
Property, plant and equipment written off	-	(36)	(50)	(43)
Provision for warranties (net)	-	(403)	(124)	(580)
Rental income	3	3	9	9
Reversal of impairment loss on property, plant and equipment	-	(15)	-	1,088

B11. Realised and unrealised losses

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

	As at 31.03.2017 RM'000	As at 30.6.2016 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(273,616)	(267,447)
- Unrealised	(9,997)	(17,225)
	<u>(283,613)</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	126,545	129,642
Total accumulated losses	<u>(159,118)</u>	<u>(157,080)</u>