GLOBALTEC FORMATION BERHAD

(Incorporated in Malaysia)

Company No: 953031-A

FOURTH QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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Condensed unaudited consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2017

	Current quarter 30.06.2017 RM'000	Preceding year corresponding quarter 30.06.2016 RM'000	Current year 30.06.2017 RM'000	Preceding year 30.06.2016 RM'000
Continuing operations		Restated		Restated
Revenue	40,966	51,898	186,889	224,707
Cost of sales	(34,500)	(42,816)	(143,043)	(176,797)
Gross profit	6,466	9,082	43,846	47,910
Other operating expenses	(23,439)	(28,603)	(58,977)	(68,458)
Other operating income	395	3,991	2,950	10,755
Results from operating activities	(16,578)	(15,530)	(12,181)	(9,793)
Finance income	207	288	1,029	764
Finance costs	(530)	(667)	(2,943)	(3,079)
Loss before tax	(16,901)	(15,909)	(14,095)	(12,108)
Tax expense	4,166	(1,511)	936	(4,536)
Loss from continuing operations	(12,735)	(17,420)	(13,159)	(16,644)
Loss from discontinued operations, net of tax	(80)	(1,135)	(5,336)	(4,492)
Loss for the period	(12,815)	(18,555)	(18,495)	(21,136)
Other comprehensive (expense)/income, net of tax				
Foreign currency translation differences for foreign operations	(4,952)	4,106	10,047	6,291
Total comprehensive expense for the period	(17,767)	(14,449)	(8,448)	(14,845)
Loss attributable to:				
Owners of the Company - continuing operations	(7,126)	(15,700)	(4,765)	(13,750)
- discontinued operations	(80)	(1,012)	(4,795)	(3,488)
Non-controlling interests - continuing operations	(5,609)	(1,720)	(8,394)	(2,894)
- discontinued operations	-	(123)	(541)	(1,004)
Loss for the period	(12,815)	(18,555)	(18,495)	(21,136)
Total comprehensive (expense)/income attributable to:				
Owners of the Company - continuing operations	(10,098)	(15,621)	784	(10,872)
- discontinued operations	(80)	(1,097)	(4,795)	(3,229)
Non-controlling interests - continuing operations	(7,589)	2,450	(3,896)	89
- discontinued operations	-	(181)	(541)	(833)
Total comprehensive expense for the period	(17,767)	(14,449)	(8,448)	(14,845)
Basic loss per ordinary share (sen)				
- Continuing operations	(0.132)	(0.292)	(0.089)	(0.255)
- Discontinued operations	(0.001)	(0.019)	(0.089)	(0.065)
	(0.133)	(0.311)	(0.178)	(0.320)
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 June 2017

	As at 30.06.2017 RM'000	Audited 30.6.2016 RM'000 Restated	Audited 1.7.2015 RM'000 Restated
Non-current assets			
Property, plant and equipment	109,246	157,608	166,243
Biological assets	533	790	422
Exploration and evaluation	142,631	128,220	86,163
Other investment	3,857	37	22
Intangible assets	29,005	30,049	42,345
Investment in associate	-	-	6,934
Deferred tax assets	216	-	-
Total non-current assets	285,488	316,704	302,129
Current assets			
Receivables, deposits and prepayments	43,644	65,062	84,681
Inventories	28,157	37,124	45,449
Other investments	247	428	1,902
Current tax assets	2,875	1,849	3,365
Cash and cash equivalents	74,194	53,101	59,192
	149,117	157,564	194,589
Assets classified as held for sale	-	12,006	18,526
Total current assets	149,117	169,570	213,115
TOTAL ASSETS	434,605	486,274	515,244
Equity attributable to owners of the Company			
Share capital	538,174	538,174	538,174
Share premium	105,473	105,473	105,473
Business combination deficit	(157,064)	(157,064)	(157,064)
Reserves	(210,349)	(198,884)	(180,872)
	276,234	287,699	305,711
Non-controlling interests	84,908	92,232	76,971
Total equity	361,142	379,931	382,682
Long term and deferred liabilities			
Borrowings	14,836	18,694	16,648
Deferred tax liabilities	8,513	13,314	12,552
Total long term and deferred liabilities	23,349	32,008	29,200
Current liabilities			
Payables and accruals	28,964	51,532	63,292
Government grant	-	-	5
Tax liabilities	240	439	1,100
Provision for warranties	1,726	1,721	1,404
Borrowings	19,184	18,659	30,779
	50,114	72,351	96,580
Liabilities classified as held for sale	-	1,984	6,782
Total current liabilities	50,114	74,335	103,362
Total liabilities	73,463	106,343	132,562
TOTAL EQUITY AND LIABILITIES	434,605	486,274	515,244
Net assets per share attributable to owners of the Company (RM)	0.051	0.053	0.057

(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 year ended 30 June 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											
- As previously stated	538,174	105,473	6,041	3,720	(3)	(44,479)	(157,064)	(157,080)	294,782	92,232	387,014
- Effect of adoption of *MFRS 1 and Amendments to MFRS 116 and MFRS 141*	-	-	-	-	-	-	-	(7,083)	(7,083)	-	(7,083)
- As restated	538,174	105,473	6,041	3,720	(3)	(44,479)	(157,064)	(164,163)	287,699	92,232	379,931
Total comprehensive income/(expense) for the year	-	-	-	5,550	-	-	-	(9,560)	(4,011)	(4,437)	(8,448)
Transfer to accumulated losses due to permanent indication of impairment	-	-	-	-	3	-	-	317	320	-	320
Disposal of subsidiaries	-	-	-	(3,742)	-	-	-	3,742	-	(10,794)	(10,794)
Rights issue in a subsidiary	-	-	-	-	-	-	-	(7,774)	(7,774)	7,907	133
At 30 June 2017	538,174	105,473	6,041	5,528	-	(44,479)	(157,064)	(177,438)	276,234	84,908	361,142

	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											
- As previously stated	538,174	105,473	6,041	590	(10)	(44,479)	(157,064)	(137,326)	311,399	76,971	388,370
- Effect of adoption of *MFRS 1 and Amendments to MFRS 116 and MFRS 141*	-	-	-	-	-	-	-	(5,688)	(5,688)	-	(5,688)
- As restated	538,174	105,473	6,041	590	(10)	(44,479)	(157,064)	(143,014)	305,711	76,971	382,682
Total comprehensive income/(expense) for the year	-	-	-	3,130	7	-	-	(17,238)	(14,101)	(744)	(14,845)
Rights issue in a subsidiary	-	-	-	-	-	-	-	(3,911)	(3,911)	16,916	13,005
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	(911)	(911)
At 30 June 2016	538,174	105,473	6,041	3,720	(3)	(44,479)	(157,064)	(164,163)	287,699	92,232	379,931

(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 year ended 30 June 2017

	Current year 30.6.2017 RM'000	Audited Preceding year 30.6.2016 RM'000 Restated
Cash flows from operating activities		
Loss before tax from:		
- continuing operations	(14,095)	(12,108)
- discontinued operations	(5,336)	(4,547)
	(19,431)	(16,655)
Adjustments for:		
Allowance for inventories obsolescence	1,344	272
Allowance for doubtful debt	31	-
Amortisation of customer relationships	395	395
Amortisation of development costs	568	582
Amortisation of government grant	-	(5)
Changes in fair value of other investment	10	43
Depreciation	14,169	16,131
Development costs written off	82	-
Dividend income	-	(6)
Fair value loss/(gain) on biological assets	258	(368)
Finance costs	2,974	3,199
Finance income	(1,069)	(704)
Gain on bagain purchase	-	(1,232)
Gain on sale of discontinued operations (net)	(3,478)	-
Impairment loss on available for sale financial asset	327	-
Impairment loss on an associate	-	6,923
Impairment loss on exploration and evaluation assets (net)	10,045	15
Impairment loss on goodwill	-	11,731
Impairment loss on property, plant and equipment	4,968	-
Inventories written-down to net realisable value	-	2,315
Inventories written off	210	-
Loss on disposal of property, plant and equipment	10	58
Property, plant and equipment written off	11	45
Provision for warranties (net)	472	1,052
Reversal of impairment loss on property, plant and equipment	-	(1,074)
Unrealised foreign exchange gain	155	577
Operating profit before working capital changes	12,051	23,294
Changes in working capital:		
Inventories	2,944	7,529
Receivables, deposits and prepayments	17,336	32,343
Payables and accruals	(25,419)	(31,374)
Cash generated from operations	6,912	31,792
Warranties paid	(467)	(735)
Taxation paid	(5,900)	(3,273)
Net cash generated from operating activities	545	27,784
Cash flows from investing activities		
Withdrawal of other investments	171	1,423
Development costs paid	-	(412)
Dividend received	-	6
Exploration and evaluation expenditure incurred	(15,794)	(29,512)
Interest received	1,069	704
Net cash flow from disposal of subsidiaries	36,204	-
Proceeds from disposal of property, plant and equipment	29	4,426
Purchase of property, plant and equipment	(2,088)	(4,652)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	-	(2,791)
Net cash generated from/(used in) investing activities	19,591	(30,808)

Condensed unaudited consolidated statement of cash flows for the financial year ended 30 June 2017
(continued)

	Current year 30.6.2017 RM'000	Audited Preceding year 30.6.2016 RM'000 Restated
Cash flows from financing activities		
Interest paid	(2,974)	(3,199)
Decrease in deposits pledged (net)	693	1,824
Subscription of shares in a subsidiary by non-controlling interests	133	13,005
Repayment of bank borrowings – net	(3,050)	(10,615)
Net cash (used in)/generated from financing activities	(5,198)	1,015
Net increase/(decrease) in cash and cash equivalents	14,938	(2,009)
Effect of foreign exchange fluctuation on cash and cash equivalents	5,458	768
Cash and cash equivalents at beginning of year	53,622	54,863
Cash and cash equivalents at end of year	74,018	53,622

	Current year			Preceding year		
	Continuing operations RM'000	**Discontinued operations RM'000**	**Total RM'000**	**Continuing operations RM'000**	**Discontinued operations RM'000**	**Total RM'000**
Cash and bank balances	68,310	-	68,310	42,934	2,750	45,684
Deposits with licensed banks	5,884	-	5,884	8,238	1,013	9,251
	74,194	-	74,194	51,172	3,763	54,935
Less:						
Bank overdrafts	-	-	-	(444)	-	(444)
Deposits pledged as security	(176)	-	(176)	-	(869)	(869)
	74,018	-	74,018	50,728	2,894	53,622

(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

Save as disclosed below, 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 had during the financial year adopted the Amendments to MFRS 116, *Property, Plant And Equipment* and Amendments to MFRS 141, *Agriculture – Agriculture: Bearer Plants* (which were effective for annual periods beginning on or after 1 January 2016). This adoption resulted in the recognition of bearer plants (oil palm trees) and the agriculture produce growing on the bearer plants. The Group will apply the transitional provisions under those standards and apply the fair value at the beginning of the earliest comparative period. The adoption has the following effects on the preceding year audited financial statements:

	Debit/(Credit)		
	As previously stated	**Changes**	**As restated**
As at 30 June 2016			
Property, plant and equipment	126,079	31,529	157,608
Biological assets	39,919	(39,129)	790
Deferred tax liabilities	(13,830)	516	(13,314)
Accumulated losses	157,080	7,083	164,163
As at 1 July 2015			
Property, plant and equipment	133,035	33,208	166,243
Biological assets	39,919	(39,497)	422
Deferred tax liabilities	(13,152)	600	(12,552)
Accumulated losses	137,326	5,688	143,014
For the financial year ended 30 June 2016			
Other operating expenses	66,779	1,679	68,458
Other operating income	(10,387)	(368)	(10,755)
Tax expense	4,452	84	4,536

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 in Note A2 and below, there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter and financial year.

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 a controlling 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 year 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 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 year ended 30 June 2017.

A7. Dividends

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

There were no material events subsequent to the financial year end.

A10. Changes in composition of the Group

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

i) 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 at date of disposal	(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 a controlling interest in AICS. Pursuant to the disposal, 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) Gain on disposal

	RM'000
Total consideration (net)	36,217
Share of net assets of AICS disposed	(37,127)
Net loss on disposal	(910)

b) Net cash effect

	RM'000
Total consideration (net)	36,217
Cash and cash equivalents of AICS at date of disposal	(8,580)
Net cash inflow on disposal	27,637

iii) NuEnergy Gas Limited ("NuEnergy"), 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 NuEnergy ("NuEnergy Share") for every 2 NuEnergy Shares held at an issue price of A$0.035 each ("NuEnergy Offer"). The Group has subscribed for its entitlement of 319.1 million NuEnergy Shares under the NuEnergy Offer for a total subscription consideration of A$11.2 million. On completion of the NuEnergy Offer, the Group's direct shareholding in NuEnergy increased from 55% to 65% due to the NuEnergy Offer was only 57% subscribed. The NuEnergy Offer has the following effects:

	RM'000	RM'000
Subscription consideration paid		37,034
Increase in net assets of NuEnergy	37,167	
Effective share of increase in net assets of NuEnergy		29,260
Excess of subscription over the effective share of increase in net assets adjusted against accumulated losses		7,774
Net cash received by NuEnergy pursuant to the NuEnergy Offer		37,167
Group's subscription consideration satisfied by cash		(37,034)
Net cash inflow to the Group		133

A11. Capital commitments

Capital commitments as at 30 June 2017 were as follows:

	RM'000
Approved and contracted for:	
- Purchase of plant and equipment	1,455
- Lease agreements	343
	1,798
Approved but not contracted for:	
- Uncoventional gas exploration activities	38,364
Total	40,162

A12. Contingent liabilities/assets

As at 30 June 2017, the Company had executed corporate guarantees in favour of licensed financial institutions of up to a limit of RM52.7 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 year end.

The corporate guarantee of RM5.0 million provided by the Company to the joint venture as at 30 June 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 RM95,000 was outstanding at the year end.

A13. Segmental information

Analysis by business segments being the primary basis of the Group's segmental reporting for the financial year ended 30 June 2017 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	177,111	16,406	149	9,430	199		203,295	16,406	186,889
Inter-segment revenue	-	-	-	-	2,269	(2,269)	-	-	-
Total revenue	177,111	16,406	149	9,430	2,468		203,295	16,406	186,889
Segment profit/(loss)	2,320	(5,336)	(19,470)	1,212	1,842	1	(19,431)	(5,336)	(14,095)

	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	163,333	-	172,306	57,202	107,340	(94,325)	405,856
Customer relationships							6,315
Goodwill on consolidation							22,434
Consolidated total assets							434,605

A14. Debt and equity securities

There were no issuances, cancellations, share splits, repurchases and repayments of the Company's debt or equity securities for the financial year ended 30 June 2017.

A15. Discontinued operations/Disposal group held for sale

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

	Current quarter 30.6.2017 RM'000	Preceding year corresponding quarter 30.6.2016 RM'000	Current year 30.6.2017 RM'000	Preceding year 30.6.2016 RM'000
Revenue	-	6,077	16,406	33,745
Loss before tax	-	(1,148)	(8,814)	(4,546)
Tax expense	-	13	-	54
Loss for the period	-	(1,135)	(8,814)	(4,492)
(Loss)/Gain on sale of discontinued operations - net	(80)	-	3,478	-
Other comprehensive (expense)/income	-	(143)	-	430
Total comprehensive expense for the period	(80)	(1,278)	(5,336)	(4,062)
Loss for the period attributable to:				
Owners of the Company	(80)	(1,012)	(4,795)	(3,488)
Non-controlling interests	-	(123)	(541)	(1,004)
Loss for the period	(80)	(1,135)	(5,336)	(4,492)
Total comprehensive expense attributable to:				
Owners of the Company	(80)	(1,097)	(4,795)	(3,229)
Non-controlling interests	-	(181)	(541)	(833)
Total comprehensive expense for the period	(80)	(1,278)	(5,336)	(4,062)

	Current year	Preceding year
Cash flows from:		
Operating activities	7,524	(2,021)
Investing activities	26	4,461
Financing activities	(31)	(3,949)
Foreign exchange translation differences	-	27
Net cash flow	7,519	(1,482)

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

	RM'000
Assets classified as held for sale	
Property, plant and equipment	10,172
Cash and cash equivalents	1,834
	12,006
Liabilities classified as held for sale	
Payables and accrual	17
Deferred tax liability	1,967
	1,984
Net assets of disposal group held for sale	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 for the current year decreased from RM224.7 million in the prior year to RM186.9 million. This was due to a decrease in IMS segment's revenue of RM39.8 million as a result of a decline in the revenue of the Automotive division of RM47.9 million, which was partially offset by an increase in the PMST's revenue of RM8.0 million. The decline in the Automotive division's revenue was due to overall weak demand. The Resources segment registered an increase in its revenue from RM6.3 million to RM9.4 million year on year due to an increase in both FFB prices and FFB production.

Despite the significant drop in Group revenue, the Group's net loss from continuing operations for the current year improved to RM4.8 million from RM13.8 million in the prior year. This was mainly due to a decrease in impairment lossses on goodwill and on associate of RM11.7 million and RM6.9 million respectively but was offset by an impairment loss on exploration and evaluation assets of RM10.0 million in the current year. The impairment loss on exploration and evaluation assets of RM10.0 milion arose as the fair value of one of the production sharing contracts of the Energy segment was below its carrying value. In tandem with the increase in revenue, the Resources segment registered an increase in its results from a net loss of RM1.6 million in the previous year to a net profit of RM0.3 million in the current year.

The Group's revenue from continuing operations decreased from RM51.9 million for the preceding year corresponding quarter to RM41.0 million for the current quarter. This was due to a decline in the revenue from the IMS segment which in turn was due to a drop of RM12.5 million in revenue contribution from the Automotive division owing to overall weak demand. On the back of higher FFB production, the Resources segment's revenue for the current quarter inched up RM0.4 million or 20% from prior year corresponding quarter.

The Group recorded a lower net loss from continuing operations of RM7.1 million for the current quarter vis-à-vis RM15.7 million in the preceding year corresponding quarter mainly due to a non-recurring impairment losess on goodwill and associate of RM11.7 million and on associate of RM6.9 million, recorded in the prior year offset by the impairment loss on exploration and evaluation assets of RM10.0 million.

Cash balances have increased from RM53.1 million to RM74.2 million due mainly to proceeds from disposal of subsidiaries. Gearing of the Group has further declined from 0.13 times to 0.12 times.

B2. Material changes from the preceding quarter

Comparing quarter on quarter, the Group's revenue from continuing operations decreased from RM46.8 million to RM41.0 million. This was due to decrease in the revenue of both the IMS and Resources segments. The decrease in revenue contribution from the IMS segment is due mainly to a decline the revenue from the Automotive division as a result of overall weak demand. The Resources segment registered a decrease in its revenue due mainly to a decrease in FFB prices.

The net loss from continuing operations increased from RM69,000 to RM7.1 million quarter on quarter, due mainly to the decrease in the Group's revenue, the impairment loss on exploration and evaluation assets of RM10.0 million and additional depreciation incurred on bearer plants due to the adoption of the *Amendments to MFRS116 and MFRS141*.

B3. Prospects

The Group has to-date successfully divested several of its loss making non-core businesses. Consequently, the only remaining loss making operating business currently is the Automotive division whose fortunes are heavily reliant on the performance and sustenance of the national carmaker, Proton. The lacklustre performance of Proton has dragged down the sales of the Automotive division and as a result the Automotive division has been in the red for a prolonged period. Nevertheless, with the recent investment by renown Chinese automaker Zhejiang Geely Holdings ("Geely") into Proton, the Automotive division (as announced) is working together with Ningbo Auto Components Industry Association and its members to extend their relationship with Geely in Malaysia and expand into the ASEAN market. In addition, the Automotive division has secured new businesses from other car makers which will reduce the reliance on Proton.

The Board is hopeful with the 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.

In this aspect, it is worth nothing that the Energy segment has attained a significant milestone as it has in early August 2017 received approval from the Indonesian Special Task Force for Upstream Oil and Gas Business Activities (commonly referred to as SKK Migas) to prepare the initial Plan of Development ("POD") for the Tanjung Enim Production Sharing Contract ("PSC").

The Energy segment will work closely with SKK Migas on the POD preparation with the objective to submit the POD proposal to the Indonesia Ministry of Energy and Mineral Resources through the Head of SKK Migas before January 2018. The Energy segment's two partners in the Tanjung Enim PSC, PT Pertamina and PT Bukit Asam (two leading Indonesian state-owned energy and resources companies), have both given their full commitments to the POD preparation and to the long-term development of the Tanjung Enim PSC. The proposed concept for the initial POD, plans for the development in two target areas, in the north and north-west of the Tanjung Enim PSC where the Energy segment has focused exploration, drilling and pilot production activities over the last 8 years. During the POD preparation, NuEnergy will also confirm target gas buyers and negotiate optimal gas sales agreements.

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

B4. Financial Forecast and Profit Guarantee

Not applicable.

B5. Corporate proposals

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

On 12 September 2014, the Company announced that it had on the same date entered into a conditional sale and purchase agreement and a share subscription agreement with Wibawa Serantau Sdn Bhd and Empangan Sejati Sdn Bhd (“ESSB”) respectively, to acquire a total of 490 ordinary shares of RM1.00 each in ESSB, representing a 49% equity interest in ESSB for a total cash consideration of RM2.74 million (“Proposed Acquisition of ESSB”). ESSB has an indirect interest in Manifest Frontier Sdn Bhd, which represents a joint venture with Perak Hydro Renewable Energy Corporation Sdn Bhd to jointly build, operate and own a small hydroelectric power plant with an installed capacity of up to 15 megawatt in Perak. The Proposed Acquisition of ESSB is pending completion as at the date of this report.

B6. Taxation

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

	Current quarter 30.06.2017 RM’000	Financial year 30.06.2017 RM’000
Income tax expense		
Malaysia -current year	924	2,866
- under provision in prior year	-	244
Overseas – current	409	1,453
	1,333	4,563
Deferred tax expense		
Malaysia - current year	(1,481)	(1,481)
Overseas – current year	(4,018)	(4,018)
Total tax expense	(4,166)	(936)

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

B7. Borrowings

The Group’s borrowings as at 30 June 2017, which were all secured, were as follows:

	Continuing operations RM’000	Discontinued operations RM’000	Total RM’000
Current	19,184	-	19,184
Non-current	14,836	-	14,836
Total Group Borrowings	34,020	-	34,020

The borrowings denominated in foreign currency and RM as at 30 June 2017 was as follows:

	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Foreign Currency:			
- IDR4,358,528,564@ RM0.0322/IDR100	1,403	-	1,403
- RM	32,617	-	32,617
Total Group Borrowings	34,020	-	34,020

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:

	Loss attributable to owners of the Company RM'000	Weighted average number of ordinary shares '000	Basic loss per share sen
Continuing operations	(7,126)	5,381,738	(0.132)
Discontinued operations	(80)	5,381,738	(0.001)
Total	(7,206)		(0.133)

ii) The basic earnings/(loss) per share of the Group for the financial year was computed as follows:

	Loss attributable to owners of the Company RM'000	Weighted average number of ordinary shares '000	Basic loss per share sen
Continuing operations	(4,765)	5,381,738	(0.089)
Discontinued operations	(4,795)	5,381,738	(0.089)
Total	(9,560)		(0.178)

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

B10. Notes to the statement of profit or loss and other comprehensive income

Other than interest income and finance costs, included in the statement of profit or loss and other comprehensive income are the following credits/(charges):

	Current quarter 30.06.2017 RM'000	Preceding year corresponding quarter 30.6.2016 RM'000	Current year 30.06.2017 RM'000	Preceding year 30.6.2016 RM'000
Allowance for inventories obsolescence	-	-	(1,344)	-
Allowance for doubtful debt	(31)	-	(31)	-
Amortisation of customer relationships	(99)	(99)	(395)	(395)
Amortisation of development costs	(258)	(209)	(568)	(582)
Amortisation of government grant	-	1	-	5
Changes in fair value of other investment	(32)	(37)	(10)	(43)
Depreciation	(4,323)	(5,031)	(14,169)	(16,131)
Development costs written off	(82)	-	(82)	-
Fair value (loss)/gain on biological assets	(258)	368	(258)	368
Foreign exchange (loss)/gain	(542)	1,087	(155)	602
Gain on bargain purchase	-	(1,232)	-	-
Gain/(Loss) on disposal of property plant and equipment	19	(93)	(10)	(58)
Impairment loss on an associate	-	(6,923)	-	(6,923)
Impairment loss on exploration and valuation assets (net)	(10,045)	(15)	(10,045)	(15)
Impairment loss on goodwill	-	(11,731)	-	(11,731)
Impairment loss on property, plant and equipment	-	-	(4,968)	-
Impairment loss on available for sale financial asset	(21)	-	(327)	-
Inventories written off	(210)	(272)	(210)	(272)
Inventories written down to net realisable value	-	(2,315)	-	(2,315)
(Loss)/Gain on sale of discontinued operations	(80)	-	3,478	-
Property, plant and equipment written off	(8)	(2)	(11)	(45)
Provision for warranties (net)	(348)	(472)	(472)	(1,052)
Rental income	3	3	12	12
Reversal of impairment loss on property, plant and equipment	-	(15)	-	1,074

B11. Realised and unrealised losses

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

	As at 30.06.2017 RM'000	As at 30.6.2016 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(286,620)	(274,530)
- Unrealised	(4,429)	(17,225)
	(291,049)	(291,755)
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	115,661	129,642
Total accumulated losses	(177,438)	(164,163)