GLOBALTEC FORMATION BERHAD

(Incorporated in Malaysia)

Company No: 953031-A

SECOND QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDING 30 JUNE 2018

Contents	**Page**

Condensed unaudited consolidated statement of profit or loss and other comprehensive income for the 6 months financial period ended 31 December 2017

	Current quarter	Preceding year corresponding quarter	Period to date	Preceding year corresponding period
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Revenue	59,942	53,062	108,771	99,110
Cost of sales	(47,797)	(38,012)	(84,476)	(74,148)
Gross profit	12,145	15,050	24,295	24,962
Other operating expenses	(51,456)	(13,457)	(64,216)	(24,792)
Other operating income	466	1,075	723	2,693
Results from operating activities	(38,845)	2,668	(39,198)	2,863
Finance income	234	332	426	569
Finance costs	(503)	(464)	(988)	(1,058)
(Loss)/Profit before tax	(39,114)	2,536	(39,760)	2,374
Tax expense	1,643	(1,142)	841	(1,802)
(Loss)/Profit from continuing operations	(37,471)	1,394	(38,919)	572
Loss from discontinued operations, net of tax	-	(7,840)	-	(4,355)
Loss for the period	(37,471)	(6,446)	(38,919)	(3,783)
Other comprehensive (expense)/income, net of tax				
Foreign currency translation differences for foreign operations	(7,832)	13,034	(9,520)	16,881
Total comprehensive (expense)/income for the period	(45,303)	6,588	(48,439)	13,098
(Loss)/Profit attributable to:				
Owners of the Company - continuing operations	(20,067)	2,026	(20,294)	2,430
- discontinued operations	-	(7,359)	-	(3,818)
Non-controlling interests - continuing operations	(17,404)	(632)	(18,625)	(1,858)
- discontinued operations	-	(481)	-	(537)
Loss for the period	(37,471)	(6,446)	(38,919)	(3,783)
Total comprehensive (expense)/income attributable to:				
Owners of the Company - continuing operations	(25,854)	8,997	(27,442)	11,959
- discontinued operations	-	(7,359)	-	(3,818)
Non-controlling interests - continuing operations	(19,449)	5,431	(20,997)	5,494
- discontinued operations	-	(481)	-	(537)
Total comprehensive (expense)/income for the period	(45,303)	6,588	(48,439)	13,098
Basic (loss)/earnings per ordinary share (sen)				
- Continuing operations	(0.373)	0.038	(0.377)	0.045
- Discontinued operations	-	(0.137)	-	(0.071)
	(0.373)	(0.099)	(0.377)	(0.026)
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 2017)

Condensed unaudited consolidated statement of financial position as at 31 December 2017

	As at 31.12.2017 RM'000	Audited 30.6.2017 RM'000
Non-current assets		
Property, plant and equipment	105,333	109,246
Exploration and evaluation assets	105,305	142,631
Other investment	3,839	3,857
Intangible assets	28,652	29,005
Deferred tax assets	200	216
Total non-current assets	243,329	284,955
Current assets		
Biological assets	646	533
Receivables, deposits and prepayments	55,880	43,644
Inventories	28,440	28,157
Other investments	241	247
Current tax assets	2,861	2,875
Cash and cash equivalents	58,562	74,194
Total current assets	146,630	149,650
TOTAL ASSETS	389,959	434,605
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	(237,790)	(210,348)
	248,793	276,235
Non-controlling interests	63,911	84,908
Total equity	312,704	361,143
Long term and deferred liabilities		
Borrowings	11,631	14,815
Deferred tax liabilities	5,001	8,513
Total long term and deferred liabilities	16,632	23,328
Current liabilities		
Payables and accruals	42,610	28,963
Tax liabilities	886	239
Provision for warranties	1,843	1,726
Borrowings	15,284	19,206
Total current liabilities	60,623	50,134
Total liabilities	77,255	73,462
TOTAL EQUITY AND LIABILITIES	389,959	434,605
Net assets per share attributable to owners of the Company (RM)	0.046	0.051

(The condensed unaudited consolidated statement of financial position should be read in conjunction with the Annual Financial Report for the year ended 30 June 2017)

Condensed unaudited consolidated statement of changes in equity for the 6 months financial period ended 31 December 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 2017	538,174	105,473	6,041	5,528	-	(44,479)	(157,064)	(177,438)	276,235	84,908	361,143
Total comprehensive expense for the period	-	-	-	(7,148)	-	-	-	(20,294)	(27,442)	(20,997)	(48,439)
At 31 December 2017	538,174	105,473	6,041	(1,620)	-	(44,479)	(157,064)	(197,732)	248,793	63,911	312,704

	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	-	-	-	9,529	-	-	-	(1,388)	8,141	4,957	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)	(158,151)	303,243	93,180	396,423

(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 2017)

Condensed unaudited consolidated statement of cash flows for the 6 months financial period ended 31 December 2017

	Period to date 31.12.2017 RM'000	Preceding year corresponding period 31.12.2016 RM'000
Cash flows from operating activities		
(Loss)/Profit before tax from:		
- continuing operations	(39,760)	2,374
- discontinued operations	-	(4,355)
	(39,760)	(1,981)
Adjustments for:		
Allowance for inventories obsolescence	-	1,344
Amortisation of customer relationships	197	197
Amortisation of development costs	156	259
Bad debts written off	-	31
Changes in fair value of other investment	7	7
Depreciation	5,650	6,866
Fair value gain on biological assets	(113)	-
Finance costs	988	1,082
Finance income	(426)	(601)
Gain on sale of discontinued operations (net)	-	(4,388)
(Gain)/Loss on disposal of property, plant and equipment	(333)	27
Impairment loss on available for sale financial asset	17	306
Impairment loss on exploration and evaluation assets (net)	37,387	-
Impairment loss on property, plant and equipment	-	4,968
Inventories written off	101	-
Property, plant and equipment written off	1,004	50
Provision for warranties (net)	177	124
Unrealised foreign exchange loss/(gain)	179	(562)
Operating profit before working capital changes	5,230	7,729
Changes in working capital:		
Inventories	(1,065)	(1,714)
Receivables, deposits and prepayments	(13,263)	11,750
Payables and accruals	18,214	(13,274)
Cash generated from operations	9,116	4,491
Warranties paid	(60)	(79)
Taxation paid	(2,843)	(2,556)
Net cash generated from operating activities	6,213	1,856

Condensed unaudited consolidated statement of cash flows for the 6 months financial period ended 31 December 2017 (continued)

	Period to date 31.12.2017 RM'000	Preceding year corresponding period 31.12.2016 RM'000
Cash flows from investing activities		
Exploration and evaluation expenditure incurred	(6,596)	(6,349)
Interest received	426	601
Net cash flow from disposal of subsidiaries	-	8,567
Proceeds from disposal of property, plant and equipment	374	51
Purchase of property, plant and equipment	(3,825)	(883)
Net cash (used in)/generated from investing activities	(9,621)	1,987
Cash flows from financing activities		
Interest paid	(988)	(1,082)
Decrease/(Increase) in deposits pledged (net)	106	(175)
Repayment of bank borrowings – net	(7,337)	(2,103)
Net cash used in financing activities	(8,219)	(3,360)
Net (decrease)/increase in cash and cash equivalents	(11,627)	483
Effect of foreign exchange fluctuation on cash and cash equivalents	(3,899)	1,523
Cash and cash equivalents at beginning of period	74,017	53,622
Cash and cash equivalents at end of period	58,491	55,628

	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	56,992	-	56,992	41,126	2,599	43,725
Deposits with licensed banks	1,570	-	1,570	11,935	1,013	12,948
	58,562	-	58,562	53,061	3,612	56,673
Less:						
Deposits pledged as security	(71)	-	(71)	(176)	(869)	(1,045)
	58,491	-	58,491	52,885	2,743	55,628

(The condensed unaudited consolidated statement of cash flows should be read in conjunction with the Annual Financial Report for the year ended 30 June 2017)

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 2017.

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 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

- from the annual period beginning on 1 July 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 4 and Amendments to MFRS 140 which are not applicable to the Group and the Company.

- 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 accounting standard that is effective for annual period beginning on or after 1 January 2021 is currently not applicable to the Group.

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, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

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 and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact of adopting MFRS 9.

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter and financial period.

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 2017.

A7. Dividends

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

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.

HKR Manufacturing Sdn. Bhd. and AutoV Marketing Sdn. Bhd., 2 wholly owned dormant subsidiaries, have been de-registered.

A11. Capital commitments

Capital commitments as at 31 December 2017 were as follows:

	RM'000
Approved and contracted for:	
- Property, plant and equipment	472
- Lease agreements	1,435
	1,907
Approved but not contracted for:	
- Property, plant and equipment	19,789
- Uncoventional gas exploration activities	32,451
	52,239
Total	54,146

A12. Contingent liabilities/assets

As at 31 December 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. Out of the total banking facilities secured by corporate guarantees by the Company, a total of RM30.3 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 2017 is as follows:

	Integrated manufacturing services RM'000	Energy RM'000	Resources RM'000	Investment holding RM'000	Consolidation adjustments RM'000	Consolidated RM'000
Segment revenue						
Revenue from external customers	103,921	-	4,850	-		108,771
Inter-segment revenue	-	-	-	940	(940)	-
Total revenue	103,921	-	4,850	940		108,771
Segment profit/(loss)	1,808	(41,349)	789	(1,008)	-	(39,760)
Segment assets	167,911	122,787	56,749	108,090	(94,129)	361,408
Customer relationships						6,117
Goodwill on consolidation						22,434
Consolidated total assets						389,959

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 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 31.12.2017 RM'000	Preceding year corresponding quarter 31.12.2016 RM'000	Current period 31.12.2017 RM'000	Preceding year corresponding period 31.12.2016 RM'000
Revenue	-	6,184	-	12,171
Loss before tax	-	(7,840)	-	(8,743)
Tax expense	-	-	-	-
Loss after tax	-	(7,840)	-	(8,743)
Gain on sale of discontinued operations	-	-	-	4,388
Loss for the period	-	(7,840)	-	(4,355)
Other comprehensive (expense)/income	-	-	-	-
Total comprehensive expense for the period	-	(7,840)	-	(4,355)
Loss for the period attributable to:				
Owners of the Company	-	(7,359)	-	(3,818)
Non-controlling interests	-	(481)	-	(537)
Loss for the period	-	(7,840)	-	(4,355)
Total comprehensive expense attributable to:				
Owners of the Company	-	(7,359)	-	(3,818)
Non-controlling interests	-	(481)	-	(537)
Total comprehensive expense for the period	-	(7,840)	-	(4,355)
Cash flows from:				
Operating activities			-	2,563
Investing activities			-	18
Financing activities			-	115
Net cash flow			-	2,696

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"); and
ii) 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 increased from RM53.1 million for the preceding year corresponding quarter to RM59.9 million for the current quarter. This was due mainly to an increase in the revenue of RM7.0 million from the IMS segment, which in turn arose from both the PMST and Automotive divisions. The increase is attributable mainly to higher sales volume as a result of overall high demand and increase in orders from a new customer in the Automotive division. The Resources segment registered a slight increase in its revenue due to an increase in FFB production but was offset partially by a drop in FFB prices.

For the current quarter, the continuing operations of the Group recorded a net loss of RM20.0 million versus a net profit of RM2.0 million for the preceeding year current quarter due mainly to an impairment loss on exploration and evaluation assets of RM17.7 million (after deducting the related deferred tax credit and share by non-controlling interest) related to the Energy's segment Rengat production sharing contract ("PSC") as explained in B11 below.

In addition, the Automotive division incurred a total one-off factories rationalisation costs of RM3.7 million during the current quarter.

Excluding the Group's effective share of the abovesaid impairment loss (net of tax) and the Automotive division's factories rationalisation costs, totaling RM21.4 million for the current quarter, the continuing operations of the Group recorded a marginal decline in net profit from RM2.0 million in the preceding year corresponding quarter to RM1.3 million in the current quarter. The IMS segment, despite the higher revenue, recorded marginally lower net profits due mainly to lower foreign exchange gains recognised in the current quarter. The decline in the net profits of the Resources segment from RM0.8 million to RM0.3 million was due mainly to additional depreciation of RM0.4 million incurred on bearer plants due to the adoption of the *Amendments to MFRS116 and MFRS141* in the fourth quarter of the previous financial year.

The Group recorded a net operating cash inflow of RM6.2 million for the current period (RM1.9 million for the preceding year corresponding period) underpinned by higher revenue generated for the current period. The Group however registered a total net cash outflow of RM11.6 million due mainly to a net repayment of bank borrowings, exploration expenditure, purchase of plant and machinery and the factories rationalisation exercise expenses incurred by the Automotive division, totaling RM20.5 million. The cash and bank balances as at period end is RM58.6 million. Comparing this quarter end with the end of the previous financial year, the Group's gearing improved to 0.11 times from 0.12 times and current ratio dropped to 2.42 times from 2.99 times.

B2. Material changes from the preceding quarter

Comparing quarter on quarter, the Group's revenue from continuing operations increased from RM48.8 million to RM59.9 million. This was due to increases in the revenue of both the IMS and Resources segments. All divisions within the IMS segment recorded an increase in their revenue due mainly to improved demand and new customers being procured. The Automotive division notably registered an increase of RM10.2 million (64%) in its revenue quarter on quarter due mainly to orders ramping up from a new customer. The higher revenue generated by the Resources segment was attributable to higher FFB production and FFB prices.

Excluding the Group's effective share of the abovesaid impairment loss (net of tax) and the Automotive division's factories rationalisation costs, totaling RM21.4 million for the current quarter, the continuing operations of the Group registered a turnaround from a net loss of RM0.2 million to a net profit of RM1.3 million quarter on quarter. This was achieved on the back of higher revenue generated mainly by the IMS segment.

B3. Prospects

The Automotive division is currently working together with Ningbo Auto Components Industry Association and its members to extend their relationship with Proton/Geely in Malaysia and expand into the ASEAN market. The Automotive division is also working relentlessly on developing and securing more businesses from other car makers, including those that were recently secured, to reduce the over-reliance on Proton. In addition, the Automotive division is in the final phase of integrating, rationalising and right-sizing its operations in a major effort to turn the division to profit.

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.

The Energy segment has achieved the following major milestones to-date:

i) in August 2017, received the approval from the SKK Migas to prepare the initial Plan of Development ("POD") for the Tanjung Enim PSC;

ii) in September 2017, as an initial step of engagement with potential gas buyers, executed a Memorandum of Understanding ("MOU") with PT Pertamina Gas ("Pertamina Gas") to investigate the supply of coal bed methane ("CBM") gas from Tanjung Enim PSC to Pertamina Gas for distribution to consumers in Sumatra. Pertamina Gas is a subsidiary of PT Pertamina, a state-owned oil and gas conglomerate and one of the joint venture partners for the Tanjung Enim PSC. Pertamina Gas has a focus on the midstream and downstream gas industry of Indonesia with its primary activity being trading, transportation, processing and distribution and other businesses related to natural gas and their associated products. The MOU is an important step for the negotiation of the Gas Sales and Supply Heads of Agreement to agree on the main commercial terms including supply period, supply volume and price;

iii) in January 2018, received the CBM resources verification and reserves certification on the POD target development areas from the Indonesia Research and Development Center for Oil and Gas Technology (also known as LEMIGAS). LEMIGAS is the Indonesian government research and technology institution operating in the area of upstream and downstream oil and gas business and has key roles in the development of the oil and gas industry through research, engineering and development activities. The CBM reserves certification is one of the compulsory processes for the POD submission in Indonesia that must be administered by an Indonesian government accredited agency such as LEMIGAS.

    The CBM reserves certification has concluded with findings of 86.05 Bscf of proved reserves (P1) and 78.84 Bscf for probable reserves (P2) giving a total gas reserves of around 165 Bscf for the target development areas covering 33 km^2 (or 13% of the Tanjung Enim PSC acreage) that would enable the Energy segment to deliver 25 MMSCFD to the market through the development of over 200 wells once the POD is approved.

During the quarter, the Energy segment's operations were mainly focused on the POD preparation for the Tanjung Enim PSC and drilling operations in the Rengat PSC.

The Tanjung Enim PSC POD preparation has gained momentum during the quarter and with a number of processes progressing through to the final stages of the preparation, that includes the pre Front End Engineering and Design ("Pre-FEED") process on the production facilities design selection, the environmental study and other non-subsurface related survey and activities. The Energy segment will work closely with SKK Migas to facilitate the submission of the POD proposal to the Indonesia Ministry of Energy and Mineral Resources through the Head of SKK Migas by the end of the 1st quarter of 2018.

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

There were no material corporate proposals announced but not completed within 7 days from the date of issue of this report.

B6. Taxation

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

	Current quarter 31.12.2017 RM'000	Financial period 31.12.2017 RM'000
Income tax expense		
Malaysia -current year	890	1,326
Overseas – current	559	1,038
	1,449	2,364
Deferred tax expense		
Malaysia - current year	19	(94)
Total tax expense	(1,643)	(841)

The effective tax rate of the Group for the current quarter and financial 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 2017, which were all secured, were as follows:

	Total RM'000
Current	15,284
Non-current	11,631
Total Group Borrowings	26,915

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

	Total RM'000
Foreign Currency:	
- IDR1,743,411,434@ RM0.0298/IDR100	520
RM	26,395
Total Group Borrowings	26,915

Foreign currency:
[1] IDR Indonesian Rupiah

B8. Material litigation

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

B9. Earnings per share

Basic earnings per share

The basic loss per share of the Group for the current quarter and financial period was computed as follows:

	Current quarter 31.12.2017	Financial period 31.12.2017
Loss attributable to owners of the Company (RM'000)	20,067	20,294
Weighted average number of ordinary shares ('000)	5,381,738	5,381,738
Basic loss per share (sen)	0.373	0.377

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 31.12.2017 RM'000	Preceding year corresponding quarter 31.12.2016 RM'000	Period to date 31.12.2017 RM'000	Preceding year corresponding period 31.12.2016 RM'000
Allowance for inventories obsolescence	-	(1,344)	-	(1,344)
Amortisation of customer relationships	(99)	(98)	(197)	(197)
Amortisation of development costs	(90)	(88)	(156)	(259)
Changes in fair value of other investment	(6)	7	(7)	(7)
Depreciation	(2,788)	(3,429)	(5,650)	(6,866)
Fair value gain on biological assets	91	-	113	-
Foreign exchange gain/(loss)	5	172	(247)	562
Gain on disposal of property plant and equipment	365	-	333	-
Gain on sale of discontinued operations	-	-	-	4,388
Impairment loss on exploration and valuation assets	(37,387)	-	(37,387)	-
Impairment loss on property, plant and equipment	-	(4,968)	-	(4,968)
Impairment loss on available for sale financial asset	(17)	(306)	(17)	(306)
Inventories written off	(101)	-	(101)	-
Property, plant and equipment written off	(1,004)	(50)	(1,004)	(50)
Provision for warranties (net)	(80)	-	(177)	(124)
Rental income	3	3	6	6

B11. Exploration and development expenditure/activities

Below is a table showing the exploration assets/expenditure incurred during the period.

Group	Exploratory rights RM'000	Exploration expenditure RM'000	Total RM'000
Cost			
At 1 July 2017	7,571	135,060	142,631
Effect of movements in exchange rates	(347)	(6,188)	(6,535)
Additions	-	6,596	6,596
Impairment	(7,224)	(30,163)	(37,387)
At 31 December 2017	-	105,305	105,305
Carrying amounts			
At 31 December 2017	-	105,305	105,305

During the quarter and as announced by GFB on 30 November 2017, the Energy segment completed the drilling program of 2 exploratory wells for the purpose of fulfilling the remaining firm commitment for the Rengat PSC. The Energy segment has submitted the work completion report to SKK Migas and is now in the process to finalise and to confirm the completion of the firm commitment. As there have not been any attractive commercial discoveries based on the drilling programs to date, the Energy segment and SKK Migas have amicably agreed for the Energy segment to relinquish the Rengat PSC after the completion of the firm commitment. There will be no operational impact to the Energy segment after the relinquishment and this is in line with the Energy segment's key strategic focus on its 4 South Sumatra PSCs (namely Tanjung Enim PSC, Muara Enim PSC, Muara Enim II PSC and Muralim PSC) to develop and operate a large CBM supply, and to better utilise its current resources to bring these South Sumatra PSCs to development. The carrying value of the exploration assets for the Rengat PSC has been fully impaired, resulting in an impairment loss of RM37.4 million during the quarter.

B12. Status of memorandum of understandings

i) AutoV Corporation Sdn Bhd ("AutoV"), a subsidiary of the Company has on 28 July 2017 entered into a memorandum of understanding for strategic alliance with Ningbo Auto Components Industry Association ("Ningbo AIA") which records the principal and mutual understanding whereby Ningbo AIA shall assist to develop and secure business collaborations between its members and AutoV group of companies. There is currently no major progress as at the date of this report.

ii) NuEnergy Gas Limited ("NuEnergy") a subsidiary of the Group had as at end September 2017 executed the MOU mentioned in Note B3 above. NuEnergy is currently in an on-going discussion with PT Pertamina to confirm on technical parameters on gas delivery.

B13. Realised and unrealised losses

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

	As at 31.12.2017 RM'000	As at 30.6.2017 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(290,863)	(300,070)
- Unrealised	(903)	(7,583)
	(291,766)	(307,653)
The share of accumulated losses from a jointly controlled entity:		
- Realised	(1,763)	(1,763)
The share of accumulated losses from an associate:		
- Realised	(298)	(298)
Consolidation adjustments	96,095	132,276
Total accumulated losses	(197,732)	(177,438)