GLOBALTEC FORMATION BERHAD

(Incorporated in Malaysia)

Company No: 953031-A

THIRD QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDING 30 JUNE 2018

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Condensed unaudited consolidated statement of profit or loss and other comprehensive income for the 9 months financial period ended 31 March 2018

	Current quarter	Preceding year corresponding quarter	Period to date	Preceding year corresponding period
	31.3.2018 RM'000	31.3.2017 RM'000	31.3.2018 RM'000	31.3.2017 RM'000
Continuing operations				
Revenue	49,820	44,492	153,186	138,326
Cost of sales	(39,940)	(32,362)	(119,252)	(101,742)
Gross profit	9,880	12,130	33,934	36,584
Other operating expenses	(9,557)	(9,917)	(72,558)	(33,601)
Other operating income	2,033	(142)	2,750	2,551
Results from operating activities	2,356	2,071	(35,874)	5,534
Finance income	220	247	644	803
Finance costs	(584)	(1,352)	(1,554)	(2,395)
Profit/(Loss) before tax	1,992	966	(36,784)	3,942
Tax expense	(172)	(1,429)	665	(3,236)
Profit/(Loss) from continuing operations	1,820	(463)	(36,119)	706
Loss from discontinued operations, net of tax	(1,818)	(1,435)	(2,795)	(6,387)
Profit/(Loss) for the period	2	(1,898)	(38,914)	(5,681)
Other comprehensive (expense)/income, net of tax				
Foreign currency translation differences for foreign operations	(7,612)	(1,882)	(17,132)	15,000
Total comprehensive (expense)/income for the period	(7,610)	(3,780)	(56,046)	9,319
Profit/(Loss) attributable to:				
Owners of the Company - continuing operations	2,174	464	(17,143)	3,492
- discontinued operations	(1,818)	(1,431)	(2,795)	(5,847)
Non-controlling interests - continuing operations	(354)	(927)	(18,976)	(2,786)
- discontinued operations	-	(4)	-	(540)
Profit/(Loss) for the period	2	(1,898)	(38,914)	(5,681)
Total comprehensive (expense)/income attributable to:				
Owners of the Company - continuing operations	(3,420)	(544)	(29,885)	12,014
- discontinued operations	(1,818)	(1,431)	(2,795)	(5,847)
Non-controlling interests - continuing operations	(2,372)	(1,801)	(23,366)	3,692
- discontinued operations	-	(4)	-	(540)
Total comprehensive (expense)/income for the period	(7,610)	(3,780)	(56,046)	9,319
Basic earnings/(loss) per ordinary share (sen)				
- Continuing operations	0.040	0.009	(0.319)	0.065
- Discontinued operations	(0.033)	(0.027)	(0.051)	(0.109)
	0.007	(0.018)	(0.370)	(0.044)
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 March 2018

	As at 31.3.2018 RM'000	Audited 30.6.2017 RM'000
Non-current assets		
Property, plant and equipment	101,313	109,246
Exploration and evaluation assets	99,735	142,631
Other investment	3,838	3,857
Intangible assets	28,453	29,005
Deferred tax assets	188	216
Total non-current assets	233,527	284,955
Current assets		
Biological assets	172	533
Receivables, deposits and prepayments	52,526	43,644
Inventories	26,650	28,157
Other investments	227	247
Current tax assets	3,595	2,875
Cash and cash equivalents	53,621	74,194
	136,791	149,650
Assets classified as held for sale	4,071	-
Total current assets	140,862	149,650
TOTAL ASSETS	374,389	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	(243,028)	(210,348)
	243,555	276,235
Non-controlling interests	61,542	84,908
Total equity	305,097	361,143
Long term and deferred liabilities		
Borrowings	10,657	14,815
Deferred tax liabilities	4,875	8,513
Total long term and deferred liabilities	15,532	23,328
Current liabilities		
Payables and accruals	33,573	28,963
Tax liabilities	413	239
Provision for warranties	1,850	1,726
Borrowings	14,315	19,206
	50,151	50,134
Liabilities classified as held for sale	3,609	-
Total current liabilities	53,760	50,134
Total liabilities	69,292	73,462
TOTAL EQUITY AND LIABILITIES	374,389	434,605
Net assets per share attributable to owners of the Company (RM)	0.045	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 9 months financial period ended 31 March 2018

	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	-	-	-	(12,742)	-	-	-	(19,938)	(32,680)	(23,366)	(56,046)
At 31 March 2018	538,174	105,473	6,041	(7,214)	-	(44,479)	(157,064)	(197,376)	243,555	61,542	305,097

	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	-	-	-	(3,742)	-	-	-	3,742	-	(10,794)	(10,794)
At 31 March 2017	538,174	105,473	6,041	8,500	-	(44,479)	(157,064)	(155,376)	301,269	84,590	385,859

(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 9 months financial period ended 31 March 2018

	Period to date 31.3.2018 RM'000	Preceding year corresponding period 31.3.2017 RM'000
Cash flows from operating activities		
(Loss)/Profit before tax from:		
- continuing operations	(36,784)	3,942
- discontinued operations	(2,802)	(6,394)
	(39,586)	(2,452)
Adjustments for:		
Allowance for inventories obsolescence	227	1,344
Amortisation of customer relationships	296	296
Amortisation of development costs	156	310
Bad debts written off	-	31
Changes in fair value of other investment	21	(22)
Depreciation	8,152	9,845
Fair value loss on biological assets	361	-
Finance costs	1,575	2,448
Finance income	(646)	(861)
Gain on sale of discontinued operations (net)	-	(3,558)
Gain on disposal of associate	(1,158)	-
(Gain)/Loss on disposal of property, plant and equipment	(61)	29
Impairment loss on available for sale financial asset	17	306
Impairment loss on exploration and evaluation assets (net)	36,600	-
Impairment loss on property, plant and equipment	244	4,968
Impairment loss on receivables (net)	127	-
Inventories written off	101	-
Property, plant and equipment written off	1,098	50
Provision for warranties (net)	247	124
Unrealised foreign exchange loss/(gain)	868	(387)
Operating profit before working capital changes	8,638	12,471
Changes in working capital:		
Inventories	(1,346)	140
Receivables, deposits and prepayments	(12,557)	13,038
Payables and accruals	14,764	(16,869)
Cash generated from operations	9,499	8,780
Warranties paid	(122)	(99)
Taxation paid	(4,340)	(4,241)
Net cash generated from operating activities	5,037	4,440

Condensed unaudited consolidated statement of cash flows for the 9 months financial period ended 31 March 2018 (continued)

	Period to date 31.3.2018 RM'000	Preceding year corresponding period 31.3.2017 RM'000
Cash flows from investing activities		
Exploration and evaluation expenditure incurred	(5,379)	(11,013)
Interest received	646	861
Net cash flow from disposal of subsidiaries	-	36,284
Proceeds from disposal of property, plant and equipment	102	79
Proceeds from disposal of associate	1,158	-
Purchase of property, plant and equipment	(4,311)	(1,147)
Net cash (used in)/generated from investing activities	(7,783)	25,064
Cash flows from financing activities		
Interest paid	(1,575)	(2,448)
Decrease in deposits pledged (net)	106	693
Repayment of bank borrowings – net	(9,321)	(3,567)
Net cash used in financing activities	(10,790)	(5,322)
Net (decrease)/increase in cash and cash equivalents	(13,537)	24,182
Effect of foreign exchange fluctuation on cash and cash equivalents	(6,785)	662
Cash and cash equivalents at beginning of period	74,017	53,622
Cash and cash equivalents at end of period	53,695	78,466

	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	52,121	74	52,195	69,508	-	69,508
Deposits with licensed banks	1,500	70	1,570	9,135	-	9,135
	53,621	144	53,765	78,643	-	78,643
Less:						
Deposits pledged as security	-	(70)	(70)	(177)	-	(177)
	53,621	74	53,695	78,466	-	78,466

(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

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 Group had in May 2018 disposed off JP Metal Sdn Bhd ("JP Metal"), a loss making subsidiary within the IMS Segment (Automotive division). Consequently, the after-tax results of JP Metal has been included in and disclosed as discontinued operations for the current quarter and period as well as the respective comparative periods. In addition, the assets of JP Metal, have been accounted at the lower of its cost or its fair values less costs to sell, and JP Metal's total assets and total liabilities are disclosed as 'Assets held for sale' and 'Liabilities held for sale' respectively in the consolidated statements of financial position as at 31 March 2018.

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 2018.

A7. Dividends

The Board does not recommend any dividend for the financial period ended 31 March 2018.

A8. Valuation of property, plant and equipment

The Group measures and records its land and buildings at cost and does not revalue them.

A9. Material events subsequent to the period end

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

A10. Changes in composition of the Group

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

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

ii) The Group had in May 2018 disposed off its entire equity interest in JP Metal for a cash consideration of RM400,000. The estimated effect of the disposal, which will be taken up subsequent to the end of this reporting period, are as follows:

a) Loss on disposal

	RM'000
Total consideration (net)	400
Net assets of JP Metal disposed	(435)
Net loss on disposal	(35)

b) Net cash effect

	RM'000
Total consideration (net)	400
Cash and cash equivalents of JP Metal at date of disposal	(133)
Net cash inflow on disposal	267

A11. Capital commitments

Capital commitments as at 31 March 2018 were as follows:

	RM'000
Approved and contracted for:	
- Property, plant and equipment	1,037
- Lease agreements	1,082
	2,119
Approved but not contracted for:	
- Property, plant and equipment	6,884
- Uncoventional gas exploration activities	46,807
	53,691
Total	55,810

A12. Contingent liabilities/assets

As at 31 March 2018, 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 RM23.0 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 March 2018 is as follows:

	Integrated manufacturing services							Less	
	Continuing operations RM'000	Discontinued operations RM'000	Energy RM'000	Resources RM'000	Investment holding RM'000	Consolidation adjustments RM'000	Consolidated RM'000	Discontinued operations RM'000	Continuing operations RM'000
Segment revenue									
Revenue from external customers	146,465	9,274	-	6,634	87	-	162,460	9,274	153,186
Inter-segment revenue	25	-	-	-	1,332	(1,357)	-	-	-
Total revenue	146,490	9,274	-	6,634	1,419		162,460	9,274	153,186
Segment profit/(loss)	5,822	(2,802)	(42,450)	247	(403)	-	(39,586)	(2,802)	(36,784)

	Integrated manufacturing services						
	Continuing operations RM'000	Discontinued operations RM'000	Energy RM'000	Resources RM'000	Investment holding RM'000	Consolidation adjustments RM'000	Consolidated RM'000
Segment assets	158,923	4,071	113,475	55,172	108,699	(94,404)	345,936
Customer relationships							6,019
Goodwill on consolidation							22,434
Consolidated total assets							374,389

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 March 2018.

A15. Discontinued operations/Disposal group held for sale

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

	Current quarter 31.3.2018 RM'000	**Preceding year corresponding quarter 31.3.2017 RM'000**	**Current period 31.3.2018 RM'000**	**Preceding year corresponding period 31.3.2017 RM'000**
Revenue	3,022	6,782	9,274	25,401
Loss before tax	(1,820)	(607)	(2,802)	(9,952)
Tax expense	2	2	7	7
Loss after tax	(1,818)	(605)	(2,795)	(9,945)
(Loss)/Gain on sale of discontinued operations	-	(830)	-	3,558
Loss for the period	(1,818)	(1,435)	(2,795)	(6,387)
Other comprehensive (expense)/income	-	-	-	-
Total comprehensive expense for the period	(1,818)	(1,435)	(2,795)	(6,387)
Loss for the period attributable to:				
Owners of the Company	(1,818)	(1,431)	(2,795)	(5,847)
Non-controlling interests	-	(4)	-	(540)
Loss for the period	(1,818)	(1,435)	(2,795)	(6,387)
Total comprehensive expense attributable to:				
Owners of the Company	(1,818)	(1,431)	(2,795)	(5,847)
Non-controlling interests	-	(4)	-	(540)
Total comprehensive expense for the period	(1,818)	(1,435)	(2,795)	(6,387)
Cash flows from:				
Operating activities			(564)	6,090
Investing activities			(15)	11
Financing activities			(229)	(260)
Net cash flow			(808)	5,841

At 31 March 2018, the assets and liabilities of the disposal group held for sale are as follows:

	As at 31.3.2018 RM'000
Assets classified as held for sale	
Property, plant and equipment	887
Receivables	1,830
Inventories	1,131
Current tax assets	79
Cash and cash equivalents	144
	4,071
Liabilities classified as held for sale	
Payables and accrual	3,545
Borrowings	64
	3,609
Net assets of disposal group held for sale	462

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 RM44.5 million for the preceding year corresponding quarter to RM49.8 million for the current quarter. This was due mainly to an increase in the revenue of RM5.8 million from the Automotive division of the IMS segment. The increase is attributable mainly to higher sales volume as a result of ramping up of orders from new customers obtained during the financial period. The Resources segment registered a decrease in its revenue due to decrease in FFB prices.

The net profit from continuing operations for the current quarter improved from RM0.5 million in the preceeding year corresponding quarter to RM2.2 million due mainly to an increase of RM2.0 million contributed from the IMS segment. The increase in IMS segment's net profit was achieved on the back of higher revenue from the Automotve division. In addition, the Group has made a gain of RM1.2 million on the disposal of its associate.

The Group recorded a net operating cash inflow of RM5.0 million for the current period (RM4.4 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 RM13.5 million due mainly to a net repayment of bank borrowings, exploration expenditure, purchase of plant and machinery. The cash and bank balances as at period end is RM53.6 million. Comparing this quarter end with the end of the previous financial year, the Group's gearing improved to 0.10 times from 0.12 times and current ratio dropped to 2.65 times from 2.99 times.

B2. Material changes from the preceding quarter

Comparing quarter on quarter, the Group's revenue from continuing operations decreased from RM56.8 million to RM49.8 million. This was due to decrease in the revenue of both the IMS and Resources segments. All divisions within the IMS segment recorded a decrease in their revenue due to overall weak demand as a result of shorter working days in the current quarter and long festive holidays and plant shut down by customers. The decrease in the revenue from the Resources segment was due to a decrease in FFB production and FFB prices.

The results from continuing operations for the current quarter registered a turnaround from a net loss of RM19.1 million in the previous quarter to a net profit of RM2.2 million due mainly to the impairment loss (net of tax) and the Automotive division's factories rationalisation costs, totaling RM21.4 million incurred in the previous quarter.

B3. Prospects

The Automotive division has in this current quarter completed its integration, rationalisation and right-sizing of its operations and also disposed off a loss making subsidiary in May 2018. With these efforts, the Automotive division is hopeful for a positive turnaround. In addition, 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.

The Energy segment has submitted the first Plan of Development for the Tanjung Enim Field ("POD I") within the Tanjung Enim Production Sharing Contract ("PSC") to the Head of the Indonesian Special Task Force for Upstream Oil and Gas Business Activities (commonly referred to as SKK Migas) who upon its final review, will submit to the Indonesia Ministry of Energy and Mineral Resources for approval. The POD I submission represents a key regulatory milestone in the development of the Tanjung Enim PSC.

The proposed POD I plans for the development of 209 wells in the identified areas of the Tanjung Enim PSC covering about 33km^2 (or 13% of the total Tanjung Enim PSC acreage), where the gas will be transported through a 24km new pipeline to be built as part of this POD I to the north of the PSC linking to the nearby existing infrastructures, including connecting to PT Pertamina Gas (commonly referred to as Pertagas) transmission pipeline situated in the north of the Tanjung Enim PSC that has greater market access and flexibility to the Palembang area. The Indonesia Research and Development Center for Oil and Gas Technology (commonly referred to as LEMIGAS) has confirmed and certified reserves totaling ~164.89 billion standard cubic feet (bscf) of gas. The Energy segment signed a Memorandum of Understanding with Pertagas in September 2017 to explore the gas supply from the Tanjung Enim PSC and the Energy segment will now progress on further negotiations on the commercial terms. The proposed POD I plans for the gas production and delivery to plateau at 25 million standard cubic feet per day (mmscfd) for 10 years.

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 31.3.2018 RM'000	Financial period 31.3.2018 RM'000
Income tax expense		
Malaysia -current year	226	1,557
Overseas – current	-	1,038
	226	2,595
Deferred tax expense		
Malaysia - current year	(116)	(210)
Overseas – current year	62	(3,050)
Total tax expense	172	(665)

The effective tax rate of the Group for the current quarter is lower than the statutory tax rate due mainly to the gain on disposal of an associate recognised during the quarter not being subject to tax.

The Group has a net tax credit for the financial period due mainly to the crystallisation of the deferred tax amounting to RM3.1 million arising from the impairment on the exploration and evaluation asssets of RM36.6 million. Excluding the impairment loss on the exploration and evaluation assets and its corresponding deferred tax credit, the effective tax rate of the Group for the current period is higher than the statutory tax rate due mainly to the losses incurred by the Energy segment (which has yet to commence commercial production) and the Automotive division.

B7. 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. Discussions are still ongoing 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 Pertagas to finalise the mechanism on gas delivery and subsequently progress to negotitate the commrmecial terms of gas sale and supply.

B8. Borrowings

The Group's borrowings as at 31 March 2018, which were all secured, were as follows:

	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Current	14,315	64	14,379
Non-current	10,657	-	10,657
Total Group Borrowings	24,972	64	25,036

The borrowings denominated in foreign currency and RM as at 31 March 2018 was as follows:

	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Foreign Currency:			
- IDR1,743,411,434@ RM0.0298/IDR100	122	-	122
RM	24,850	64	24,914
Total Group Borrowings	24,972	64	25,036

Foreign currency:
(1) IDR Indonesian Rupiah

B9. Material litigation

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

B10. Earnings per share

Basic earnings/(loss) per share

i) The basic earnings/(loss) per share of the Group for the current quarter was computed as follows:

	Profit/(Loss) attributable to owners of the Company RM'000	Weighted average number of ordinary shares '000	Basic earnings/(loss) per share sen
Continuing operations	2,174	5,381,738	0.040
Discontinued operations	(1,818)	5,381,738	(0.033)
Total	356		0.007

ii) The basic loss per share of the Group for the financial period 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	17,143	5,381,738	0.319
Discontinued operations	2,795	5,381,738	0.051
Total	19,938		0.370

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.

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)	(11,328)	(11,675)
Additions	-	5,379	5,379
Impairment	(7,224)	(29,376)	(36,600)
At 31 March 2018	-	99,735	99,735
Carrying amounts			
At 31 March 2018	-	99,735	99,735

For the financial period ended 31 March 2018, 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 now is 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. 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 31.3.2018 RM'000	Preceding year corresponding quarter 31.3.2017 RM'000	Period to date 31.3.2018 RM'000	Preceding year corresponding period 31.3.2017 RM'000
Allowance for inventories obsolescence	(227)	-	(227)	(1,344)
Allowance for doubtful debt	-	-	-	-
Amortisation of customer relationships	(99)	(99)	(296)	(296)
Amortisation of development costs	-	(51)	(156)	(310)
Bad debts written off	-	-	-	(31)
Changes in fair value of other investment	(14)	29	(21)	22
Depreciation	(2,502)	(2,979)	(8,152)	(9,845)
Fair value loss on biological assets	(474)	-	(361)	-
Foreign exchange (loss)/gain	(1,064)	(175)	(1,311)	387
Gain/(Loss) on disposal of property plant and equipment	(272)	(2)	61	(29)
Gain on disposal of associate	1,158	-	1,158	-
Gain/(Loss) on sale of discontinued operations	-	(830)	-	3,558
Impairment loss on exploration and valuation assets	787	-	(36,600)	-
Impairment loss on receivables (net)	(127)	-	(127)	-
Impairment loss on property, plant and equipment	(244)	-	(244)	(4,968)
Impairment loss on available for sale financial asset	-	-	(17)	(306)
Inventories written off	-	-	(101)	-
Property, plant and equipment written off	(94)	-	(1,098)	(50)
Provision for warranties (net)	(70)	-	(247)	(124)
Rental income	3	3	9	9