GLOBALTEC FORMATION BERHAD

(Incorporated in Malaysia)

Company No: 953031-A

FOURTH QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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Condensed unaudited consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2018

	Current quarter	Preceding year corresponding quarter	Current year	Preceding year
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	RM'000	RM'000	RM'000	RM'000
Continuing operations		Restated		Restated
Revenue	41,639	38,675	194,825	177,001
Cost of sales	(32,443)	(33,066)	(151,695)	(134,808)
Gross profit	9,196	5,609	43,130	42,193
Other operating expenses	(10,211)	(22,083)	(82,769)	(55,684)
Other operating income	1,951	397	4,701	2,948
Results from operating activities	936	(16,077)	(34,938)	(10,543)
Finance income	234	208	878	1,011
Finance costs	(572)	(519)	(2,126)	(2,914)
Profit/(Loss) before tax	598	(16,388)	(36,186)	(12,446)
Tax expense	(574)	3,830	91	594
Profit/(Loss) from continuing operations	24	(12,558)	(36,095)	(11,852)
Loss from discontinued operations, net of tax	(215)	(256)	(3,010)	(6,643)
Loss for the period	(191)	(12,814)	(39,105)	(18,495)
Other comprehensive income/(expense), net of tax				
Foreign currency translation differences for foreign operations	4,307	(4,952)	(12,824)	10,048
Total comprehensive income/(expense) for the period	4,116	(17,766)	(51,929)	(8,447)
(Loss)/Profit attributable to:				
Owners of the Company - continuing operations	(203)	(6,949)	(17,346)	(3,458)
- discontinued operations	(215)	(256)	(3,010)	(6,102)
Non-controlling interests - continuing operations	227	(5,609)	(18,749)	(8,394)
- discontinued operations	-	-	-	(541)
Loss for the period	(191)	(12,814)	(39,105)	(18,495)
Total comprehensive income/(expense) attributable to:				
Owners of the Company - continuing operations	3,039	(9,922)	(26,845)	2,092
- discontinued operations	(215)	(256)	(3,010)	(6,102)
Non-controlling interests - continuing operations	1,292	(7,588)	(22,074)	(3,896)
- discontinued operations	-	-	-	(541)
Total comprehensive income/(expense) for the period	4,116	(17,766)	(51,929)	(8,447)
Basic loss per ordinary share (sen)				
- Continuing operations	(0.004)	(0.129)	(0.322)	(0.064)
- Discontinued operations	(0.004)	(0.005)	(0.056)	(0.114)
	(0.008)	(0.134)	(0.378)	(0.178)
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 30 June 2018

	As at 30.6.2018 RM'000	Audited 30.6.2017 RM'000
Non-current assets		
Property, plant and equipment	102,526	109,246
Exploration and evaluation assets	106,651	142,631
Other investment	3,534	3,857
Intangible assets	28,381	29,005
Deferred tax assets	351	216
Total non-current assets	241,443	284,955
Current assets		
Biological assets	279	533
Receivables, deposits and prepayments	41,773	43,644
Inventories	26,486	28,157
Other investments	216	247
Current tax assets	2,476	2,875
Cash and cash equivalents	55,389	74,194
Total current assets	126,619	149,650
TOTAL ASSETS	368,062	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	(240,203)	(210,348)
	246,380	276,235
Non-controlling interests	62,834	84,908
Total equity	309,214	361,143
Long term and deferred liabilities		
Borrowings	9,662	14,815
Deferred tax liabilities	4,973	8,513
Total long term and deferred liabilities	14,635	23,328
Current liabilities		
Payables and accruals	28,279	28,963
Tax liabilities	630	239
Provision for warranties	1,851	1,726
Borrowings	13,453	19,206
Total current liabilities	44,213	50,134
Total liabilities	58,848	73,462
TOTAL EQUITY AND LIABILITIES	368,062	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 financial year ended 30 June 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	-	-	-	(9,499)	-	-	-	(20,356)	(29,855)	(22,074)	(51,929)
Disposal of associate	-	-	-	33	-	-	-	(33)	-	-	-
At 30 June 2018	538,174	105,473	6,041	(3,938)	-	(44,479)	(157,064)	(197,827)	246,380	62,834	309,214

	←				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)	(4,010)	(4,437)	(8,447)
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)	276,235	84,908	361,143

(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 financial year ended 30 June 2018

	Current year 30.6.2018 RM'000	Preceding year 30.6.2017 RM'000 Restated
Cash flows from operating activities		
Loss before tax from:		
- continuing operations	(36,186)	(12,446)
- discontinued operations	(3,018)	(6,985)
	(39,204)	(19,431)
Adjustments for:		
Amortisation of customer relationships	395	395
Amortisation of development costs	229	385
Changes in fair value of other investment	31	10
Depreciation	10,617	14,080
Development costs written off	-	238
Fair value loss on biological assets	254	258
Finance costs	2,154	2,974
Finance income	(879)	(1,069)
Loss/(Gain) on sale of discontinued operations (net)	44	(3,478)
Gain on disposal of associate	(1,158)	-
Gain on disposal of property, plant and equipment	(323)	(29)
Impairment loss on available for sale financial asset	21	327
Impairment loss on exploration and evaluation assets	36,011	10,045
Impairment loss on other investments	300	-
Impairment loss on property, plant and equipment	244	4,968
Impairment loss on receivables, deposits, and prepayments	870	130
Inventories written-down to net realisable value	-	2,178
Inventories written off	369	1,716
Property, plant and equipment written off	1,106	59
Provision for warranties	247	472
Unrealised foreign exchange loss/(gain)	797	(404)
Operating profit before working capital changes	12,125	13,824
Changes in working capital:		
Inventories	(1,148)	601
Receivables, deposits and prepayments	(3,070)	17,821
Payables and accruals	8,289	(25,417)
Cash generated from operations	16,196	6,829
Warranties paid	(122)	(467)
Taxation paid	(3,598)	(5,901)
Net cash generated from operating activities	12,476	461

Condensed unaudited consolidated statement of cash flows for the financial year ended 30 June 2018
(continued)

	Current year 30.6.2018 RM'000	Preceding year 30.6.2017 RM'000 Restated
Cash flows from investing activities		
Withdrawal of other investments	-	171
Development costs paid	-	(1)
Exploration and evaluation expenditure incurred	(8,378)	(15,794)
Interest received	879	1,069
Net cash flow from disposal of subsidiaries	267	36,204
Proceeds from disposal of property, plant and equipment	365	115
Proceeds from disposal of associate	1,158	-
Purchase of property, plant and equipment	(7,894)	(2,088)
Net cash (used in)/generated from investing activities	(13,603)	19,676
Cash flows from financing activities		
Interest paid	(2,154)	(2,974)
Withdrawal in pledged deposits with licensed banks	176	692
Subscription of shares in a subsidiary by non-controlling interests	-	133
Repayment of bank borrowings – net	(11,182)	(3,050)
Net cash used in financing activities	(13,160)	(5,199)
Net (decrease)/increase in cash and cash equivalents	(14,287)	14,938
Effect of foreign exchange fluctuation on cash and cash equivalents	(4,342)	5,458
Cash and cash equivalents at beginning of year	74,018	53,622
Cash and cash equivalents at end of year	55,389	74,018

	Current year 30.6.2018 RM'000	Preceding year 30.6.2017 RM'000
Cash and bank balances	53,889	48,029
Deposits with licensed banks	1,500	26,165
	55,389	74,194
Less:		
Deposits pledged as security	-	(176)
	55,389	74,018

(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*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

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 year.

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 in the Consolidated Statement of Profit and Loss and Other Comprehensive Income for the current quarter and current year as well as the respective comparative periods (via a restatement).

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 2018.

A7. Dividends

The Board does not recommend any dividend for the financial year ended 30 June 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 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) 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 effect of the disposal is as follows:

a) Loss on disposal

	RM'000
Total consideration	400
Net assets of JP Metal disposed	(444)
Net loss on disposal	(44)

b) Net cash effect

	RM’000
Total consideration	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 30 June 2018 were as follows:

	RM'000
Approved and contracted for:	
- Property, plant and equipment	7,329
- Lease agreements	1,768
	9,097
Approved but not contracted for:	
- Property, plant and equipment	11,780
- Uncoventional gas exploration activities	45,693
	57,473
Total	66,570

A12. Contingent liabilities/assets

As at 30 June 2018, the Company had executed corporate guarantees in favour of licensed financial institutions of up to a limit of RM42.7 million for credit facilities granted to subsidiaries. Out of the total banking facilities secured by corporate guarantees by the Company, a total of RM21.0 million 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 2018 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	186,451	10,243	-	8,278	96	-	205,068	10,243	194,825
Inter-segment revenue	30	-	-	-	1,676	(1,706)	-	-	-
Total revenue	186,481	10,243	-	8,278	1,772		205,068	10,243	194,825
Segment profit/(loss)	9,287	(2,974)	(44,056)	(58)	(1,377)	18	(39,160)	(2,974)	(36,186)

	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	156,154	-	116,742	53,558	107,797	(94,543)	339,708
Customer relationships							5,920
Goodwill on consolidation							22,434
Consolidated total assets							368,062

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 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 30.6.2018 RM'000	Preceding year corresponding quarter 30.6.2017 RM'000	Current year 30.6.2018 RM'000	Preceding year 30.6.2017 RM'000
Revenue	969	2,697	10,243	28,098
Loss before tax	(172)	(511)	(2,974)	(10,463)
Tax expense	1	335	8	342
Loss after tax	(171)	(176)	(2,966)	(10,121)
(Loss)/Gain on sale of discontinued operations	(44)	(80)	(44)	3,478
Loss for the period	(215)	(256)	(3,010)	(6,643)
Other comprehensive expense	-	-	-	-
Total comprehensive expense for the period	(215)	(256)	(3,010)	(6,643)
Loss for the period attributable to:				
Owners of the Company	(215)	(256)	(3,010)	(6,102)
Non-controlling interests	-	-	-	(541)
Loss for the period	(215)	(256)	(3,010)	(6,643)
Total comprehensive expense attributable to:				
Owners of the Company	(215)	(256)	(3,010)	(6,102)
Non-controlling interests	-	-	-	(541)
Total comprehensive expesne for the period	(215)	(256)	(3,010)	(6,643)
Cash flows from:				
Operating activities			(4,573)	6,808
Investing activities			4,502	(28)
Financing activities			(165)	(331)
Net cash flow			(236)	6,449

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 for the current year increased from RM177.0 million in the prior year to RM194.8 million. This was due to an increase of RM19.9 million or 12% in the IMS segment's revenue on the back of both the PMST and Automotive divisions registering increased revenue contributions respectively. The increase in IMS segment's revenue was due to higher demand. The Resources segment however registered a decrease in its revenue from RM9.4 million to RM8.3 million year on year due to a decrease in FFB prices.

Included in the Group's results from continuing operations for the current year were the Group's effective share of the impairment loss on exploration assets (net of tax) of RM17.1 million (FY2017: RM3.1 million), the Automotive division's rationalisation costs of RM3.7 million (FY2017 : Nil). The impairment loss on exploration assets for the current year is further described in Note B11 below. On a normalised basis (after excluding the above items), the Group's continuing operations recorded a positive turnaround from a net loss of RM0.4 million to a net profit of RM3.5 million. This was mainly attributable to the higher revenue achieved by the IMS segment. Within the IMS segment, the PMST division recorded higher net profits of RM12.4 million for the current year versus net profits of RM10.1 million in the prior year. On a normalised basis, the Automotive division, in its effort to turnaround by reducing reliance on a major customer which was loss making and expand its customer base, has more than halved its net losses from RM5.4 million in the previous year to RM2.3 million in the current year. In tandem with the decline in its revenue of RM1.2 million, the Resources segment registered a marginal net loss of RM0.3 million vis-à-vis a net profit of RM0.3 million year on year.

The Group's revenue from continuing operations increased from RM38.7 million for the preceding year corresponding quarter to RM41.6 million for the current quarter. This was due mainly to an increase in the revenue of RM4.6 million from the Automotive division. The increase is attributable mainly to higher sales volume as a result of ramping up of orders from customers. The Resources segment registered a decrease in its revenue due to decrease in FFB prices and FFB production.

Included in the preceding year corresponding quarter was the Group's effective share of the impairment loss on exploration assets (net of tax) of RM3.1 million. On a normalised basis, the continuing operations for the current quarter registered a turnaround from a net loss of RM3.8 million in the preceding year corresponding quarter to a marginal net loss of RM0.2 million due mainly to better results from the IMS segment. The IMS segment recorded a net profit of RM2.9 million for the current quarter versus a net loss of RM1.7 million for the preceding year corresponding quarter due to all the IMS divisions registering improved results underpinned by higher revenue registered for the current quarter. Despite the decline in revenue, the Resources segment recorded an improvement in its results from a net loss of RM1.5 million to a net loss of RM0.4 million due mainly to a full year depreciation charge of RM1.6 million on bearer plants being recognised wholly in the preceding year corresponding quarter as a result of the adoption of the *Amendments to MFRS116 and MFRS141*.

The Group's operating cash inflow increased from RM0.5 million to RM12.5 million year on year. The Group however registered a total net cash outflow of RM14.3 million due mainly to a net repayment of bank borrowings, exploration expenditure and purchase of plant and machinery. The cash and bank balances as at period end amounts to RM55.4 million. Comparing this year end with the end of the previous financial year, the Group's gearing improved to 0.09 times from 0.12 times and current ratio dropped to 2.86 times from 2.99 times.

B2. Material changes from the preceding quarter

Comparing quarter on quarter, the Group's revenue from continuing operations decreased by RM8.2 million from RM49.8 million to RM41.6 million. This was due to a 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 an overall weak demand. The decrease in the revenue from the Resources segment was due to a decrease in FFB production and FFB prices.

In tandem with the decline in revenue, the continuing operations recorded a net loss of RM0.2 million for the current quarter versus a net profit of RM2.2 million for the previous quarter. In addition, included in the previous quarter was a gain on disposal of associate of RM1.2 million.

B3. Prospects

The Automotive division has in the previous quarter completed its integration, rationalisation and right-sizing of its operations and also disposed off a loss making subsidiary in May 2018. The Automotive division is also 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 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. With these efforts, the Automotive division is hopeful for a better performance.

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.

The Energy segment's PSCs in South Sumatra cover a total area of 2,280 km2 (after full relinquishment under the terms of the PSC) and are situated in one of most prolific coal bed methane ("CBM") basins in Indonesia, each near major gas export pipelines, underutilised gas infrastructure and high-volume under supplied markets. The Energy segment has the potential to develop and operate a large scale CBM supply in South Sumatra with the Tanjung Enim PSC, Muara Enim PSC, Muara Enim II PSC and Muralim PSC located in close proximity to one another.

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 year are as follows:

	Current quarter 30.6.2018 RM'000	Financial year 30.6.2018 RM'000
Income tax expense		
Malaysia -current year	653	2,210
- overprovision in prior year	(546)	(547)
Overseas – current	797	1,835
	904	3,498
Deferred tax expense		
Malaysia - current year	(379)	(588)
Overseas – current year	49	(3,001)
Total tax expense	574	(91)

The effective tax rate of the Group for the current quarter is higher than the statutory tax rate due mainly to the to the losses incurred by the Energy segment (which has yet to commence commercial production).

Included in the Group's tax expense for the current year is a deferred tax credit amounting to RM3 million arising from the impairment on the exploration and evaluation asssets of RM36 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 year is higher than the statutory tax rate due mainly to the losses incurred by the Energy segment 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 commercial terms of gas sale and supply.

B8. Borrowings

The Group's borrowings as at 30 June 2018, which were all secured, were as follows:

	RM'000
Current	13,453
Non-current	9,662
Total Group Borrowings	23,115

The borrowings denominated in foreign currency and RM as at 30 June 2018 was as follows:

	RM'000
Foreign Currency:	
- IDR380,072,371@ RM0.0284/IDR100	108
RM	23,007
Total Group Borrowings	23,115

Foreign currency:

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 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	203	5,381,738	0.004
Discontinued operations	215	5,381,738	0.004
Total	418		0.008

ii) The basic 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	17,346	5,381,738	0.322
Discontinued operations	3,010	5,381,738	0.056
Total	20,356		0.378

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.

B11. Exploration and development expenditure/activities

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

Group	Exploratory rights RM'000	Exploration expenditure RM'000	Total RM'000
Carrying amount			
At 1 July 2017	7,571	135,060	142,631
Effect of movements in exchange rates	(347)	(8,000)	(8,347)
Additions	-	8,378	8,378
Impairment	(7,224)	(28,787)	(36,011)
At 30 June 2018	-	106,651	106,651

For the financial year ended 30 June 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 RM36 million during the quarter.

During the financial year, the Energy segment also:

i) completed drilling 3 production wells in Muara Enim II PSC as part of the work to fulfil the PSC commitments to apply for the Exploration Period extension. SKK Migas granted the Exploration Period extension to the Muara Enim II PSC for 4 years up to 31 March 2021; and

ii) completed drilling 1 exploratory well and conducted permeability tests on 2 existing wells in the Muralim PSC as part of the program to fulfil the PSC commitments to apply for the Exploration Period extension. SKK Migas granted the Exploration Period extension to the Muralim PSC for 4 years up to 2 December 2020.

The drilling programs will also enable the Energy segment to improve the understanding of the coal characterisation of the South Sumatra PSCs.

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 30.6.2018 RM'000	**Preceding year corresponding quarter 30.6.2017 RM'000**	**Current year 30.6.2018 RM'000**	**Preceding year 30.6.2017 RM'000**
Amortisation of customer relationships	(99)	(99)	(395)	(395)
Amortisation of development costs	(73)	(75)	(229)	(385)
Bad debts written off	-	31	-	-
Changes in fair value of other investment	(9)	(32)	(31)	(10)
Depreciation	(2,465)	(4,234)	(10,617)	(14,080)
Development costs written off	-	(238)	-	(238)
Fair value loss on biological assets	107	(258)	(254)	(258)
Foreign exchange (loss)/gain	383	17	(928)	903
Gain on disposal of property plant and equipment	262	58	323	29
Impairment loss on receivables, deposits and prepayments	(870)	-	(870)	(130)
Gain on disposal of associate	-	-	1,158	-
(Loss)/Gain on sale of discontinued operations	(44)	(80)	(44)	3,478
Impairment loss on exploration and valuation assets	589	(10,045)	(36,011)	(10,045)
Impairment loss on property, plant and equipment	-	-	(244)	(4,968)
Impairment loss on available for sale financial asset	(4)	(21)	(21)	(327)
Inventories written off	(41)	(326)	(369)	(1,716)
Inventories written down to net realisable value	-	-	-	(2,178)
Property, plant and equipment written off	(8)	(9)	(1,106)	(59)
Provision for warranties (net)	-	(348)	(247)	(472)
Rental income	3	3	12	12