GLOBALTEC FORMATION BERHAD

(Incorporated in Malaysia)

Company No: 953031-A

FIRST QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDING 30 JUNE 2019

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

	Current quarter	Preceding year corresponding quarter	Current period	Preceding year corresponding period
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
	RM'000	RM'000	RM'000	RM'000
Continuing operations		Restated		Restated
Revenue	54,643	46,025	54,643	46,025
Cost of sales	(43,162)	(33,930)	(43,162)	(33,930)
Gross profit	11,481	12,095	11,481	12,095
Other operating expenses	(10,048)	(12,247)	(10,048)	(12,247)
Other operating income	43	257	43	257
Results from operating activities	1,476	105	1,476	105
Finance income	276	192	276	192
Finance costs	(350)	(478)	(350)	(478)
Profit/(Loss) before tax	1,402	(181)	1,402	(181)
Tax expense	(831)	(805)	(831)	(805)
Profit/(Loss) from continuing operations	571	(986)	571	(986)
Loss from discontinued operations, net of tax	-	(462)	-	(462)
Profit/(Loss) for the period	571	(1,448)	571	(1,448)
Other comprehensive income/(expense), net of tax				
Foreign currency translation differences for foreign operations	2,744	(1,688)	2,744	(1,688)
Total comprehensive income/(expense) for the period	3,315	(3,136)	3,315	(3,136)
Profit/(Loss) attributable to:				
Owners of the Company - continuing operations	956	235	956	235
- discontinued operations	-	(462)	-	(462)
Non-controlling interests - continuing operations	(385)	(1,221)	(385)	(1,221)
- discontinued operations	-	-	-	-
Profit/(Loss) for the period	571	(1,448)	571	(1,448)
Total comprehensive income/(expense) attributable to:				
Owners of the Company - continuing operations	2,584	(1,126)	2,584	(1,126)
- discontinued operations	-	(462)	-	(462)
Non-controlling interests - continuing operations	731	(1,548)	731	(1,548)
- discontinued operations	-	-	-	-
Total comprehensive income/(expense) for the period	3,315	(3,136)	3,315	(3,136)
Basic earnings/(loss) per ordinary share (sen)				-
- Continuing operations	0.018	0.005	0.018	0.005
- Discontinued operations	-	(0.009)	-	(0.009)
	0.018	(0.004)	0.018	(0.004)
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 2018)

Condensed unaudited consolidated statement of financial position as at 30 September 2018

	As at 30.9.2018 RM'000	Audited 30.6.2018 RM'000
Non-current assets		
Property, plant and equipment	103,006	102,526
Exploration and evaluation assets	111,382	106,651
Other investment	3,534	3,534
Intangible assets	28,268	28,381
Deferred tax assets	346	351
Total non-current assets	246,536	241,443
Current assets		
Biological assets	279	279
Receivables, deposits and prepayments	45,913	41,773
Inventories	25,163	26,486
Contract assets	7,357	-
Other investments	206	216
Current tax assets	2,767	2,476
Cash and cash equivalents	49,790	55,389
Total current assets	131,475	126,619
TOTAL ASSETS	378,011	368,062
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	(236,011)	(240,203)
	250,572	246,380
Non-controlling interests	63,565	62,834
Total equity	314,137	309,214
Long term and deferred liabilities		
Borrowings	8,932	9,729
Deferred tax liabilities	4,916	4,973
Total long term and deferred liabilities	13,848	14,702
Current liabilities		
Payables and accruals	33,261	28,279
Tax liabilities	878	630
Provision for warranties	2,110	1,851
Borrowings	13,777	13,386
Total current liabilities	50,026	44,146
Total liabilities	63,874	58,848
TOTAL EQUITY AND LIABILITIES	378,011	368,062
Net assets per share attributable to owners of the Company (RM)	0.047	0.046

(The condensed unaudited consolidated statement of financial position should be read in conjunction with the Annual Financial Report for the year ended 30 June 2018)

Condensed unaudited consolidated statement of changes in equity for the financial period ended 30 September 2018

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	Foreign currency translation 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
At 1 July 2018										
- As previously stated	538,174	105,473	6,041	(3,938)	(44,479)	(157,064)	(197,827)	246,380	62,834	309,214
- Effects of adoption of *MFRS 15*	-	-	-	-	-	-	1,608	1,608	-	1,608
- As restated	538,174	105,473	6,041	(3,938)	(44,479)	(157,064)	(196,219)	247,988	62,834	310,822
Total comprehensive income for the period	-	-	-	1,628	-	-	956	2,584	731	3,315
At 30 September 2018	538,174	105,473	6,041	(2,310)	(44,479)	(157,064)	(195,263)	250,572	63,565	314,137

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	Foreign currency translation 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
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	-	-	-	(1,361)	-	-	(227)	(1,588)	(1,548)	(3,136)
At 30 September 2017	538,174	105,473	6,041	4,167	(44,479)	(157,064)	(177,665)	274,647	83,360	358,007

(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 2018)

Condensed unaudited consolidated statement of cash flows for the financial period ended 30 September 2018

	Current period 30.9.2018 RM'000	Preceding year corresponding period 30.9.2017 RM'000 Restated
Cash flows from operating activities		
Profit/(Loss) before tax from:		
- continuing operations	1,402	(181)
- discontinued operations	-	(464)
	1,402	(645)
Adjustments for:		
Amortisation of customer relationships	99	99
Amortisation of development costs	15	66
Changes in fair value of other investment	10	1
Depreciation	2,432	2,862
Fair value loss on biological assets	60	(22)
Finance costs	350	485
Finance income	(276)	(192)
(Gain)/Loss on disposal of property, plant and equipment	(13)	32
Provision for warranties	311	97
Unrealised foreign exchange (gain)/loss	(78)	280
Operating profit before working capital changes	4,314	3,063
Changes in working capital:		
Inventories	1,179	(1,054)
Receivables, deposits and prepayments	(9,908)	(7,190)
Payables and accruals	3,999	4,058
Cash generated from operations	(416)	(1,123)
Warranties paid	(52)	(105)
Taxation paid	(920)	(1,083)
Net cash used in operating activities	(1,388)	(2,311)

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

	Current period 30.9.2018 RM'000	Preceding year corresponding period 30.9.2017 RM'000 Restated
Cash flows from investing activities		
Exploration and evaluation expenditure incurred	(1,772)	(1,798)
Interest received	276	192
Proceeds from disposal of property, plant and equipment	13	10
Purchase of property, plant and equipment	(2,906)	(1,090)
Net cash used in from investing activities	(4,389)	(2,686)
Cash flows from financing activities		
Interest paid	(350)	(485)
Withdrawal in pledged deposits with licensed banks	-	(70)
Repayment of bank borrowings – net	(666)	(2,177)
Net cash used in financing activities	(1,016)	(2,732)
Net decrease in cash and cash equivalents	(6,793)	(7,729)
Effect of foreign exchange fluctuation on cash and cash equivalents	1,194	(662)
Cash and cash equivalents at beginning of year	55,389	74,017
Cash and cash equivalents at end of year	49,790	65,626

	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	44,790	-	44,790	59,524	426	59,950
Deposits with licensed banks	5,000	-	5,000	5,676	247	5,923
	49,790	-	49,790	65,200	673	65,873
Less:						
Deposits pledged as security	-	-	-	-	(247)	(247)
	49,790	-	49,790	65,200	426	65,626

(The condensed unaudited consolidated statement of cash flows should be read in conjunction with the Annual Financial Report for the year ended 30 June 2018)

NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of preparation

This interim financial report of Globaltec Formation Berhad ("GFB" or the "Company") and its subsidiaries ("Group") is unaudited and has been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134, *Interim Financial Reporting* and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("Listing Requirements").

A2. Significant Accounting Policies

Save as disclosed below, the significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 30 June 2018.

The Group had during the financial year adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* (which were effective for annual periods beginning on or after 1 January 2018).

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*.

Currently, the Group recognises revenue from contracts with customers on the basis that persuasive evidence exists, usually in the form of an executed sales agreement, and that the significant risks and rewards of ownership have been transferred to the customers. Upon adoption of MFRS 15, the Group will recognise the revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customers. The Group will apply cumulative effect transitional provision under 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.

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

There is no material impact on the adoption of MFRS 9 on the consolidated financial statements.

Effects on adoption of new accounting standards

The adoption of MFRS 15 has the following effects to the consolidated financial statements:

	Debit/(Credit)		
	As reported at 30 June 2018 RM'000	**Adjustments due to adoption of MFRS 15 RM'000**	**Adjusted opening balance at 1 July 2018 RM'000**
Trade and other receivables	41,773	(5,868)	35,905
Contract assets	-	7,476	7,476
Retained earnings	397,267	(1,608)	395,659

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 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 119, *Employee Benefits – Plan Amendment, Curtailment and Settlement*
- 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 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 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.

The comparative figures of the statement of profit or loss and other comprehensive income and statement of cash flows for the preceding year corresponding quarter/period however were restated to take into account the effects of JP Metal Sdn Bhd being classified as discontinued operations, in accordance to MFRS 5, *Non-current Assets Held For Sale And Discontinued Operations.* JP Metal Sdn Bhd, a loss making subsidiary was disposed off and first classified as discontinued operations in the 4th quarter of the previous financial year.

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 30 September 2018.

A7. Dividends

The Board does not recommend any dividend for the financial period ended 30 September 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.

During the financial period, NuEnergy Gas (Singapore) Pte Ltd and Dart Energy (CBM Power Indonesia) Pte Ltd, two wholly owned dormant subsidiaries have been de-registered.

A11. Capital commitments

Capital commitments as at 30 September 2018 were as follows:

	RM'000
Approved and contracted for:	
- Property, plant and equipment	8,487
- Lease agreements	2,905
	11,392
Approved but not contracted for:	
- Property, plant and equipment	8,786
- Uncoventional gas exploration activities	45,196
	53,982
Total	65,374

A12. Contingent liabilities/assets

As at 30 September 2018, the Company had executed corporate guarantees in favour of licensed financial institutions of up to a limit of RM50.1 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 period end.

A13. Segmental information

Analysis by business segments being the primary basis of the Group's segmental reporting for the financial period ended 30 September 2018 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	53,239	-	1,404	-	-	54,643
Inter-segment revenue	-	-	-	388	(388)	-
Total revenue	53,239	-	1,404	388		54,643
Segment profit/(loss)	3,900	(1,214)	(568)	(713)	(3)	1,402
Segment assets	165,179	120,879	52,839	102,966	(92,107)	349,756
Customer relationships						5,821
Goodwill on consolidation						22,434
Consolidated total assets						378,011

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 30 September 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 30.9.2018 RM'000	Preceding year corresponding quarter 30.9.2017 RM'000 Restated	Current period 30.9.2018 RM'000	Preceding year corresponding period 30.9.2017 RM'000 Restated
Revenue	-	3,196	-	3,196
Loss before tax	-	(464)	-	(464)
Tax expense	-	2	-	2
Loss for the period	-	(462)	-	(462)
Other comprehensive expense	-	-	-	-
Total comprehensive expense for the period	-	(462)	-	(462)
Loss for the period attributable to:				
Owners of the Company	-	(462)	-	(462)
Non-controlling interests	-	-	-	-
Loss for the period	-	(462)	-	(462)
Total comprehensive expense attributable to:				
Owners of the Company	-	(462)	-	(462)
Non-controlling interests	-	-	-	-
Total comprehensive expense for the period	-	(462)	-	(462)
Cash flows from:				
Operating activities			-	278
Investing activities			-	(8)
Financing activities			-	(36)
Net cash flow			-	234

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 RM46.0 million for the preceding year corresponding quarter to RM54.6 million for the current quarter, on the back of increased revenue contribution from the IMS segment of RM9.8 million. This in turn was due mainly to an increase in revenue of RM12.0 million from the Automotive division. The increase is attributable mainly to higher sales orders from new customers procured by the Automotive division in the last financial year. The Resources segment registered a decrease in its revenue of RM0.8 million due to a decrease in FFB prices and FFB production.

Net profit from continuing operations for the current quarter increased from RM0.2 million in the preceding year corresponding quarter to RM1.0 million due mainly to an increase of RM1.7 million contributed from the IMS Segment. The increase in IMS segment's net profit was achieved mainly on the back of higher revenue from the Automotive division. This increase was offset partially by a decline of RM0.8 million in the results of the Resources segment, which registered a net loss of RM0.5 million for the current quarter. This decrease is in tandem with the decline of the Resources segment's revenue.

The Group recorded a net cash outflow of RM6.8 million due mainly to the ongoing expansion phase (as described in Note B3 below) of the Precision Machining and Automation ("PMA") division (a sub-division of the PMST division), exploration expenditure, purchase of plant and machinery and repayment of bank borrowings. The cash and bank balances as at period end is RM49.8 million. Comparing this quarter end with the end of the previous financial year, the Group's gearing remained the same at 0.09 times, and the current ratio dropped to 2.63 times from 2.87 times.

B2. Material changes from the preceding quarter

Comparing quarter on quarter, the Group's revenue from continuing operations increased by RM13.0 million from RM41.6 million to RM54.6 million. This was due to an increase of RM13.4 million in the revenue contributed by the IMS segment. All divisions within the IMS segment recorded an increase in their revenue due to higher demand. The Automotive division continued to show improvements by registering the highest increase in revenue of RM9.5 million or 62% quarter on quarter. Whereas the revenue from the Resources segment recorded a decrease of RM0.2 million 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 RM0.2 million in the previous quarter to a net profit of RM1.0 million due mainly to the increase in the revenue from the IMS segment.

B3. Prospects

The Precision Machining Automation division (a sub-division of the PMST division) which is profitable year on year, has commenced its expansion phase and is estimated to spend approximately RM10 million to build a new 60,000 square feet facility at Penang Science Park. The expansion phase is progressing steadily and the new facility is expected to be completed by the end of the first quarter of 2019. As at to-date, the PMA sub-division is working on several new projects that will bring further growth to this sub-division which is currently operating at full capacity.

Capitalising on buoyant growth in Indonesia and overwhelming demand from customers but constrained by capacity, the PST division (another sub-division of the PMST division and which is profitable) is also planning an expansion of its existing facilities.

With the expansion plans of the PMST division, the Group can expect increased positive growth to its revenue and bottom line in years to come.

Having completed its integration and rationalisation in the prior financial year, the Automotive division is now leaner. With this, the Automotive division will continue to leverage on its collaboration with Ningbo Auto Components Industry Association and its members to extend their relationship with Proton/Geely in Malaysia and expand into the ASEAN market. In addition, 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 for this financial year.

Following the submission of the first Plan of Development ("POD") for the Tanjung Enim Production Sharing Contract ("PSC") ("POD I") by the Head of the Indonesian Special Task Force for Upstream Oil and Gas Business Activities ("SKK Migas") to the Minister of Energy and Mineral Resources, the Directorate General of Oil and Gas ("MIGAS"), SKK Migas and the Energy segment consulted with the local government and communities of the PSC, during the current quarter, as part of the POD approval process. The Energy segment is hopeful that the Tanjung Enim POD I will be approved by the Indonesia Ministry of Energy and Mineral Resources within the second half of 2018. The POD I submission represents a key regulatory milestone in the development of the Tanjung Enim PSC.

The Energy segment's PSCs in South Sumatra cover a total area of 2,280 km^2 (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, development and commercialisation of the gas reserves will take time before the Group can reap the returns from it.

B4. Financial Forecast and Profit Guarantee

Not applicable.

B5. Corporate proposals

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

The Company has on 5 September 2018 announced that it proposes to undertake the following proposals:

i) proposed consolidation of every 20 existing ordinary shares in Globaltec into 1 ordinary share in Globaltec ("Consolidated Share") held on an entitlement date to be determined later ("Proposed Share Consolidation"); and

ii) proposed issue of up to 67,271,723 free warrants in Globaltec ("Warrants") on the basis of 1 Warrant for every 4 Consolidated Shares held on an entitlement date to be determined later ("Proposed Free Warrants Issue").

The Proposed Share Consolidation and Proposed Free Warrants Issue have received approval from Bursa Malaysia on 12 October 2018 and are now currently pending shareholders' approval.

B6. Taxation

The tax expense for the current quarter are as follows:

	Current quarter 30.9.2018 RM'000
Income tax expense	
Malaysia -current year	(402)
- overprovision in prior year	(548)
Overseas – current	1,835
	885
Deferred tax expense	
Malaysia - current year	(54)
Overseas – current year	-
Total tax expense	831

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

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 negotiate the commercial terms of gas sale and supply.

B8. Borrowings

The Group's borrowings as at 30 September 2018 were all secured. The borrowings denominated in foreign currency and RM as at 30 September 2018 was as follows:

	RM'000
Foreign Currency:	
- IDR1,213,882,790@ RM0.0278/IDR100	337
RM	22,372
Total Group Borrowings	22,709

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 per share

The basic earnings per share of the Group for the current quarter was computed as follows:

Profit attributable to owners of the Company (RM'000)	956
Weighted average number of ordinary shares ('000)	5,381,738
Basic earnings per share (sen)	0.018

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.

	RM'000
Carrying amount	
At 1 July 2018	106,651
Effect of movements in exchange rates	2,959
Additions	1,772
At 30 September 2018	111,382

For the financial period ended 30 September 2018, following the submission of POD I for the Tanjung Enim PSC by the Head of SKK Migas to MIGAS in the prior financial year, SKK Migas and the Energy segment consulted with local government and communities during the current quarter, as part of the POD I approval process. Engagement programmes were established to communicate the latest progress and facts of the POD I and to address any local government and communities' concerns and to secure their support to progress with the POD I. Through these engagement programs, the POD for the Tanjung Enim PSC has received the required support from the local government and communities to proceed which is the key for the POD I approval. The Energy segment is hopeful that the Tanjung Enim POD I will be approved by the Indonesia Ministry of Energy and Mineral Resources within the second half of 2018.

The Energy segment continued with the appraisal programs in the Muralim PSC with the commencement of drilling operations for two pilot wells beginning November 2018 seeking to establish early gas reserves and fulfill PSC commitments

The Energy segment also commenced drilling at the end of September 2018 for the first exploratory well BB-002 at the Bontang Bengalon PSC in East Kalimantan, Indonesia. The drilling program will cover the drilling of 2 exploratory wells as part of the program to fulfil the PSC firm commitments which have to be completed before the end of the PSC Exploration Period on 8 October 2018. SKK Migas has recommended to the Indonesia Ministry of Energy and Mineral Resources for a contract amendment to allow the extension of the Exploration Period and to continue with further exploration program for development.

Bontang Bengalon PSC covers a total area of 328.6km^2 (after full relinquishment under the terms of the PSC terms) in East Kalimantan, Indonesia and lies between prolific oil and gas concessions, oil and gas infrastructures including Bontang liquefied natural gas ("LNG") plant and close proximity to the growing industry cities of Bontang and Sangatta. The Energy segment has a 100% working interest in Bontang Bengalon PSC and is the operator of the PSC.

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 30.9.2018 RM'000	Preceding year corresponding quarter 30.9.2017 RM'000	Current period 30.9.2018 RM'000	Preceding year corresponding period 30.9.2017 RM'000
Amortisation of customer relationships	(99)	(99)	(99)	(99)
Amortisation of development costs	(15)	(66)	(15)	(66)
Changes in fair value of other investment	(10)	(1)	(10)	(1)
Depreciation	(2,432)	(2,862)	(2,432)	(2,862)
Fair value loss on biological assets	(60)	22	(60)	22
Foreign exchange (loss)/gain	44	(252)	44	(252)
Gain/(loss) on disposal of property plant and equipment	13	(32)	13	(32)
Provision for warranties (net)	(311)	(97)	(311)	(97)
Rental income	3	3	3	3