GLOBALTEC FORMATION BERHAD

(Incorporated in Malaysia)

Company No: 953031-A

SECOND 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 31 December 2018

	Current quarter	Preceding year corresponding quarter	Current period	Preceding year corresponding period
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Continuing operations		Restated		Restated
Revenue	60,673	57,341	115,316	103,366
Cost of sales	(48,215)	(45,382)	(91,377)	(79,312)
Gross profit	12,458	11,959	23,939	24,054
Other operating expenses	(10,014)	(50,754)	(20,062)	(63,001)
Other operating income	635	460	678	717
Results from operating activities	3,079	(38,335)	4,555	(38,230)
Finance income	224	232	500	424
Finance costs	(565)	(492)	(915)	(970)
Profit/(Loss) before tax	2,738	(38,595)	4,140	(38,776)
Tax expense	(794)	1,642	(1,625)	837
Profit/(Loss) from continuing operations	1,944	(36,953)	2,515	(37,939)
Loss from discontinued operations, net of tax	-	(515)	-	(977)
Profit/(Loss) for the period	1,944	(37,468)	2,515	(38,916)
Other comprehensive income/(expense), net of tax				
Foreign currency translation differences for foreign operations	1,610	(7,832)	4,354	(9,520)
Total comprehensive income/(expense) for the period	3,554	(45,300)	6,869	(48,436)
Profit/(Loss) attributable to:				
Owners of the Company - continuing operations	2,666	(19,552)	3,622	(19,317)
- discontinued operations	-	(515)	-	(977)
Non-controlling interests - continuing operations	(722)	(17,401)	(1,107)	(18,622)
- discontinued operations	-	-	-	-
Profit/(Loss) for the period	1,944	(37,468)	2,515	(38,916)
Total comprehensive income/(expense) attributable to:				
Owners of the Company - continuing operations	4,106	(25,339)	6,690	(26,465)
- discontinued operations	-	(515)	-	(977)
Non-controlling interests - continuing operations	(552)	(19,446)	179	(20,994)
- discontinued operations	-	-	-	-
Total comprehensive income/(expense) for the period	3,554	(45,300)	6,869	(48,436)
Basic earning/(loss) per ordinary share (sen)				
- Continuing operations	0.991	(7.266)	1.346	(7.179)
- Discontinued operations	-	(0.191)	-	(0.363)
	0.991	(7.457)	1.346	(7.542)
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 31 December 2018

	As at 31.12.2018 RM'000	Audited 30.6.2018 RM'000
Non-current assets		
Property, plant and equipment	104,842	102,526
Exploration and evaluation assets	119,663	106,651
Other investment	16	3,534
Intangible assets	28,158	28,381
Deferred tax assets	358	351
Total non-current assets	253,037	241,443
Current assets		
Biological assets	166	279
Receivables, deposits and prepayments	48,243	41,773
Inventories	28,100	26,486
Contract assets	5,320	-
Other investments	203	216
Current tax assets	2,015	2,476
Cash and cash equivalents	45,467	55,389
Total current assets	129,514	126,619
TOTAL ASSETS	382,551	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	(231,905)	(240,203)
	254,678	246,380
Non-controlling interests	63,013	62,834
Total equity	317,691	309,214
Long term and deferred liabilities		
Borrowings	7,897	9,729
Deferred tax liabilities	4,830	4,973
Total long term and deferred liabilities	12,727	14,702
Current liabilities		
Payables and accruals	34,418	28,279
Tax liabilities	631	630
Provision for warranties	2,105	1,851
Borrowings	14,979	13,386
Total current liabilities	52,133	44,146
Total liabilities	64,860	58,848
TOTAL EQUITY AND LIABILITIES	382,551	368,062
Net assets per share attributable to owners of the Company (RM)	0.946	0.916

(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 31 December 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	-	-	-	3,068	-	-	3,622	6,690	179	6,869
At 31 December 2018	538,174	105,473	6,041	(870)	(44,479)	(157,064)	(192,597)	254,678	63,013	317,691

	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	-	-	-	(7,148)	-	-	(20,294)	(27,442)	(20,997)	(48,439)
At 31 December 2017	538,174	105,473	6,041	(1,620)	(44,479)	(157,064)	(197,732)	248,793	63,911	312,704

(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 31 December 2018

	Current period 31.12.2018 RM'000	Preceding year corresponding period 31.12.2017 RM'000 Restated
Cash flows from operating activities		
Profit/(Loss) before tax from:		
- continuing operations	4,140	(38,776)
- discontinued operations	-	(982)
	4,140	(39,758)
Adjustments for:		
Amortisation of customer relationships	197	197
Amortisation of development costs	25	156
Changes in fair value of other investments	10	7
Depreciation	4,996	5,650
Fair value loss/(gain) on biological assets	113	(113)
Finance costs	915	988
Finance income	(500)	(426)
Gain on disposal of property, plant and equipment	(86)	(333)
Loss on disposal of other investment	20	-
Impairment loss on available for sale financial asset	-	17
Impairment loss on exploration and evaluation assets	-	37,387
Inventories written off	-	101
Property, plant and equipment written off	-	1,004
Provision for warranties	369	177
Unrealised foreign exchange loss	612	179
Operating profit before working capital changes	10,811	5,233
Changes in working capital:		
Inventories	(1,354)	(1,065)
Receivables, deposits and prepayments	(10,691)	(13,263)
Payables and accruals	5,172	18,212
Cash generated from operations	3,938	9,117
Warranties paid	(115)	(60)
Taxation paid (net)	(1,314)	(2,843)
Net cash generated from operating activities	2,509	6,214

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

	Current period 31.12.2018 RM'000	Preceding year corresponding period 31.12.2017 RM'000 Restated
Cash flows from investing activities		
Exploration and evaluation expenditure incurred	(9,743)	(6,596)
Interest received	500	426
Proceeds from disposal of other investment	3,500	-
Proceeds from disposal of property, plant and equipment	88	374
Purchase of property, plant and equipment	(6,622)	(3,825)
Net cash used in investing activities	(12,277)	(9,621)
Cash flows from financing activities		
Interest paid	(915)	(988)
Withdrawal in pledged deposits with licensed banks	-	106
Repayment of bank borrowings – net	(626)	(7,337)
Net cash used in financing activities	(1,541)	(8,219)
Net decrease in cash and cash equivalents	(11,309)	(11,626)
Effect of foreign exchange fluctuation on cash and cash equivalents	1,387	(3,900)
Cash and cash equivalents at beginning of period	55,389	74,017
Cash and cash equivalents at end of period	45,467	58,491

	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	39,545	-	39,545	56,314	678	56,992
Deposits with licensed banks	5,922	-	5,922	1,499	71	1,570
	45,467	-	45,467	57,813	749	58,562
Less:						
Deposits pledged as security	-	-	-	-	(71)	(71)
	45,467	-	45,467	57,813	678	58,491

(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*.

Previously, 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 has recognised 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 has applied 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 plans 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

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 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 of 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 31 December 2018.

A7. Dividends

The Board does not recommend any dividend for the financial period ended 31 December 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, Dart Energy (CBM Power Indonesia) Pte Ltd and Isotrax Engineering Sdn Bhd, 3 wholly owned dormant subsidiaries have been de-registered.

A11. Capital commitments

Capital commitments as at 31 December 2018 were as follows:

	RM'000
Approved and contracted for:	
- Property, plant and equipment	6,702
- Lease agreements	1,499
	8,201
Approved but not contracted for:	
- Property, plant and equipment	8,590
- Uncoventional gas exploration activities	41,424
	50,014
Total	58,215

A12. Contingent liabilities/assets

As at 31 December 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 RM20.9 million was outstanding at the period end.

A13. Segmental information

Analysis by business segments being the primary basis of the Group's segmental reporting for the financial period ended 31 December 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	112,159	-	3,157	-	-	115,316
Inter-segment revenue	-	-	-	1,120	(1,120)	-
Total revenue	112,159	-	3,157	1,120		115,316
Segment profit/(loss)	7,332	(1,296)	(793)	(1,103)	-	4,140
Segment assets	167,760	127,010	52,256	99,969	(92,601)	354,394
Customer relationships						5,723
Goodwill on consolidation						22,434
Consolidated total assets						382,551

A14. Debt and equity securities

Save as disclosed below, there were no issuances, cancellations, share splits, repurchases and repayments of the Company's debt or equity securities for the financial period ended 31 December 2018.

Pursuant to the shareholders' approval obtained on 29 November 2018:

i) the Company had on 14 December 2018, undertaken a consolidation of every 20 existing ordinary shares into 1 ordinary share ("Consolidated Share"). The issued and paid up share capital of the Company from that date comprised of 269,086,895 Consolidated Shares; and

ii) the Company had on 26 December 2018, issued and listed 67,271,723 free warrants ("Warrants") on the basis of 1 Warrant for every 4 Consolidated Shares.

iii) Consequently, the computation of earnings per share and net assets per share have been adjusted for the current quarter/period and retrospectively.

A15. Discontinued operations

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

	Current quarter 31.12.2018 RM'000	Preceding year corresponding quarter 31.12.2017 RM'000 Restated	Current period 31.12.2018 RM'000	Preceding year corresponding period 31.12.2017 RM'000 Restated
Revenue	-	3,056	-	6,252
Loss before tax	-	(518)	-	(982)
Tax expense	-	3	-	5
Loss for the period	-	(515)	-	(977)
Other comprehensive expense	-	-	-	-
Total comprehensive expense for the period	-	(515)	-	(977)
Loss for the period attributable to:				
Owners of the Company	-	(515)	-	(977)
Non-controlling interests	-	-	-	-
Loss for the period	-	(515)	-	(977)
Total comprehensive expense attributable to:				
Owners of the Company	-	(515)	-	(977)
Non-controlling interests	-	-	-	-
Total comprehensive expense for the period	-	(515)	-	(977)
Cash flows from:				
Operating activities			-	694
Investing activities			-	(6)
Financing activities			-	(133)
Net cash flow			-	555

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 RM57.3 million for the preceding year corresponding quarter to RM60.7 million for the current quarter, on the back of increased revenue contribution from the IMS segment of RM4.7 million. This in turn was due to an increase in revenue of RM6.6 million from the Automotive division, which was partially offset by a decline of RM1.9 million in revenue from the PMST division. The increase in Automotive division's revenue is attributable mainly to higher sales orders from new customer procured by the Automotive division in the last financial year whereas the decline in PMST division revenue was a result of lower demand. The Resources segment registered a decline in its revenue of RM0.9 million due to a steep fall in FFB prices.

Included in the preceding year corresponding quarter are impairment losses on exploration assets net of tax and non-controlling interest of RM17.7 million. Excluding the above, the net results from continuing operations for the current quarter has improved from a net loss from RM1.9 million in the preceding year corresponding quarter to a net profit of RM2.7 million due mainly to the IMS segment registering a turnaround from a net loss of RM0.7 million to a net profit of RM2.7 million. The improvement in IMS segment's net results were in tandem with the higher revenue it generated. In line with its drop in revenue, the Resources segment registered a decline in its net results of about RM0.5 million.

The Group recorded a net cash outflow of RM11.3 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 RM45.5 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 2.48 times from 2.87 times.

B2. Material changes from the preceding quarter

Comparing quarter on quarter, the Group's revenue from continuing operations continue to climb RM6.1 million from RM54.6 million to RM60.7 million. This was due to an increase in both the IMS and Resources segments' revenue of RM5.7 million and RM0.4 million respectively. All the divisions in the IMS segment experienced better overall demand and registered increase in their revenue with the Automotive division registering the highest increase of RM5 million. The revenue from Resources segment increased quarter on quarter due to an increase in FFB production which was partly negated by a decline in FFB prices.

In tandem with the increase in revenue, the net profit from continuing operations of the Group increased from RM1.0 million in the previous quarter to RM2.7 million for the current quarter.

B3. Prospects

Under the PMST division, the Group has commenced its expansion phase by building a new 60,000 square feet facility at Penang Science Park. The new facility is expected to be completed by the end of the first quarter of 2019.

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, with the diversification to other car makers the Automotive division is hopeful for a better performance for this financial year.

The Energy Segment, under NuEnergy Gas Limited, has submitted the first coal bed methane Plan of Development (“POD I”) for the Tanjung Enim Production Sharing Contract (“PSC”) in Indonesia. 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 Tanjung Enim PSC, linking to the nearby existing infrastructures, including connecting to PT Pertamina Gas’s 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 has confirmed and certified reserves totaling ~164.89 billion standard cubic feet (bscf) of gas.

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

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

B6. Taxation

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

	Current quarter 31.12.2018 RM'000	Financial period 31.12.2018 RM'000
Income tax expense		
Malaysia -current year	883	479
- overprovision in prior year	-	(547)
Overseas – current	-	1,835
	883	1,767
Deferred tax expense		
Malaysia - current year	(89)	(142)
Total tax expense	794	1,625

The effective tax rate of the Group for the current quarter and 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).

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 a Memorandum of Understanding with PT Pertamina Gas ("Pertagas") in September 2017 to explore the gas supply from the Tanjung Enum PSC. 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 31 December 2018 were all secured. The borrowings denominated in foreign currency and RM as at 31 December 2018 was as follows:

	RM'000
Foreign Currency:	
- IDR1,106,657,084@ RM0.0288/IDR100	319
RM	22,557
Total Group Borrowings	22,876

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 and current period was computed as follows:

	Current quarter 31.12.2018	Current period 31.12.2018
Profit attributable to owners of the Company (RM'000)	2,666	3,622
Weighted average number of ordinary shares ('000)	269,087	269,087
Basic earnings per share (sen)	0.991	1.346

Diluted earnings per share
Diluted earnings per share for the current quarter and financial period are not applicable as the exercise price of the Company's warrants of RM0.72 is higher than the market price of the Company's shares 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	3,269
Additions	9,743
At 31 December 2018	119,663

The Energy segment 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 covered 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. 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.

During the current quarter, the Energy segment continued with the drilling activities in the Muralim PSC following the extension of the Exploration Period to 2 December 2020. The drilling activities cover the drilling of 2 wells (MU-005 and MU-006) and to commence the Pilot Production Program with the aim of booking CBM reserves and preparing the POD by December 2020. The drilling results revealed quality coal formation similar to the reservoir characteristic of the other South Sumatra PSCs (Tanjung Enim PSC, Muara Enim PSC and Muara Enim II PSC) located within the 125km radius towards the east of the Muralim PSC. The results from logging revealed 5 coal seams with total thickness of 27 meters with average 5 meters from a single seam. The MU-006 well was completed and ready to be put on production test while MU-005 well was half drilled as at to-date. The drilling results also confirmed the coal continuity towards the western part of the other South Sumatra PSCs that will enable the potential development of a large scale CBM supply.

The Energy segment had on 11 February 2019 converted its Muralim PSC from its existing PSC to a Gross Split PSC. The Gross Split PSC scheme will provide flexibility to the business and the regulatory processes as well as operational execution in order to achieve the highest level of efficiency which is required by the low cost and fast-moving coal bed methane industries in Indonesia. The Energy segment will also, subject to government of Indonesia's approval, be increasing its participating interest of 50% to 100% in the Muralim 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 31.12.2018 RM'000	Preceding year corresponding quarter 31.12.2017 RM'000	Current period 31.12.2018 RM'000	Preceding year corresponding period 31.12.2017 RM'000
Amortisation of customer relationships	(99)	(99)	(197)	(197)
Amortisation of development costs	(10)	(90)	(25)	(156)
Changes in fair value of other investments	-	(6)	(10)	(7)
Depreciation	(2,564)	(2,788)	(4,996)	(5,650)
Fair value loss on biological assets	(53)	91	(113)	113
Foreign exchange (loss)/gain	(929)	5	(885)	(247)
Gain on disposal of property plant and equipment	73	365	86	333
Impairment loss on exploration and valuation assets	-	(37,387)	-	(37,387)
Impairment loss on available for sale financial asset	-	(17)	-	(17)
Inventories written off	-	(101)	-	(101)
Loss on disposal of other investment	(20)	-	(20)	-
Property, plant and equipment written off	-	(1,004)	-	(1,004)
Provision for warranties (net)	(58)	(80)	(369)	(177)
Rental income	3	3	6	6