



# **GLOBALTEC FORMATION BERHAD**

**(Incorporated in Malaysia)**

**Company No: 953031-A**

## **THIRD 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 March 2019**

	Current quarter 31.3.2019 RM'000	Preceding year corresponding quarter 31.3.2018 RM'000	Current period 31.3.2019 RM'000	Preceding year corresponding period 31.3.2018 RM'000
<b>Continuing operations</b>				
<b>Revenue</b>	53,457	49,820	168,773	153,186
Cost of sales	(40,813)	(39,940)	(132,190)	(119,252)
<b>Gross profit</b>	12,644	9,880	36,583	33,934
Other operating expenses	(9,638)	(9,557)	(29,700)	(72,558)
Other operating income	171	2,033	849	2,750
<b>Results from operating activities</b>	3,177	2,356	7,732	(35,874)
Finance income	209	220	709	644
Finance costs	(163)	(584)	(1,078)	(1,554)
<b>Profit/(Loss) before tax</b>	3,223	1,992	7,363	(36,784)
Tax expense	(455)	(172)	(2,080)	665
<b>Profit/(Loss) from continuing operations</b>	2,768	1,820	5,283	(36,119)
<b>Loss from discontinued operations, net of tax</b>	-	(1,818)	-	(2,795)
<b>Profit/(Loss) for the period</b>	2,768	2	5,283	(38,914)
<b>Other comprehensive income/(expense), net of tax</b>				
Foreign currency translation differences for foreign operations	(2,212)	(7,612)	2,142	(17,132)
<b>Total comprehensive income/(expense) for the period</b>	556	(7,610)	7,425	(56,046)
<b>Profit/(Loss) attributable to:</b>				
Owners of the Company - continuing operations	3,191	2,174	6,813	(17,143)
- discontinued operations	-	(1,818)	-	(2,795)
Non-controlling interests - continuing operations	(423)	(354)	(1,530)	(18,976)
- discontinued operations	-	-	-	-
<b>Profit/(Loss) for the period</b>	2,768	2	5,283	(38,914)
<b>Total comprehensive income/(expense) attributable to:</b>				
Owners of the Company - continuing operations	1,627	(3,420)	8,317	(29,885)
- discontinued operations	-	(1,818)	-	(2,795)
Non-controlling interests - continuing operations	(1,071)	(2,372)	(892)	(23,366)
- discontinued operations	-	-	-	-
<b>Total comprehensive income/(expense) for the period</b>	556	(7,610)	7,425	(56,046)
Basic earning/(loss) per ordinary share (sen)				
- Continuing operations	1.186	0.808	2.532	(6.371)
- Discontinued operations	-	(0.676)	-	(1.039)
	1.186	0.132	2.532	(7.410)
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 March 2019**

	<b>As at 31.3.2019 RM'000</b>	<b>Audited 30.6.2018 RM'000</b>
<b>Non-current assets</b>		
Property, plant and equipment	108,121	102,526
Exploration and evaluation assets	116,562	106,651
Other investment	16	3,534
Intangible assets	28,058	28,381
Deferred tax assets	357	351
<b>Total non-current assets</b>	<u>253,114</u>	<u>241,443</u>
<b>Current assets</b>		
Biological assets	66	279
Receivables, deposits and prepayments	43,050	41,773
Inventories	29,109	26,486
Contract assets	8,150	-
Other investments	191	216
Current tax assets	1,886	2,476
Cash and cash equivalents	47,521	55,389
<b>Total current assets</b>	<u>129,973</u>	<u>126,619</u>
<b>TOTAL ASSETS</b>	<u>383,087</u>	<u>368,062</u>
<b>Equity attributable to owners of the Company</b>		
Share capital	643,647	538,174
Share premium	-	105,473
Business combination deficit	(157,064)	(157,064)
Reserves	(230,278)	(240,203)
	<u>256,305</u>	<u>246,380</u>
Non-controlling interests	61,942	62,834
<b>Total equity</b>	<u>318,247</u>	<u>309,214</u>
<b>Long term and deferred liabilities</b>		
Borrowings	7,668	9,729
Deferred tax liabilities	4,796	4,973
<b>Total long term and deferred liabilities</b>	<u>12,464</u>	<u>14,702</u>
<b>Current liabilities</b>		
Payables and accruals	35,581	28,279
Tax liabilities	637	630
Provision for warranties	1,847	1,851
Borrowings	14,311	13,386
<b>Total current liabilities</b>	<u>52,376</u>	<u>44,146</u>
<b>Total liabilities</b>	<u>64,840</u>	<u>58,848</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>383,087</u>	<u>368,062</u>
Net assets per share attributable to owners of the Company (RM)	0.953	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 March 2019**

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Foreign currency translation reserve	Fair value adjustment reserve	Business combination deficit	Accumulated losses			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 July 2018</b>										
- 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 <i>MFRS 15</i>	-	-	-	-	-	-	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
Transition to no par-value regime	105,473	(105,473)	(6,041)	-	-	-	6,041	-	-	-
Total comprehensive income/(expense) for the period	-	-	-	1,504	-	-	6,813	8,317	(892)	7,425
<b>At 31 March 2019</b>	643,647	-	-	(2,434)	(44,479)	(157,064)	(183,365)	256,305	61,942	318,247

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity	
	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
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 July 2017</b>	538,174	105,473	6,041	5,528	-	(44,479)	(157,064)	(177,438)	276,235	84,908	361,143
Total comprehensive expense for the period	-	-	-	(12,742)	-	-	-	(19,938)	(32,680)	(23,366)	(56,046)
<b>At 31 March 2018</b>	538,174	105,473	6,041	(7,214)	-	(44,479)	(157,064)	(197,376)	243,555	61,542	305,097

(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 March 2019**

	<b>Current period</b>	<b>Preceding year</b>
	<b>31.3.2019</b>	<b>corresponding</b>
	<b>RM'000</b>	<b>period</b>
		<b>31.3.2018</b>
		<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit/(Loss) before tax from:		
- continuing operations	7,363	(36,784)
- discontinued operations	-	(2,802)
	<hr/> 7,363	<hr/> (39,586)
Adjustments for:		
Allowance for inventories obsolescence	-	227
Amortisation of customer relationships	296	296
Amortisation of development costs	27	156
Changes in fair value of other investments	23	21
Depreciation	7,424	8,152
Fair value loss on biological assets	213	361
Finance costs	1,078	1,575
Finance income	(709)	(646)
Gain on disposal of associate	-	(1,158)
Gain on disposal of property, plant and equipment	(96)	(61)
Loss on disposal of other investment	20	-
Impairment loss on available for sale financial asset	-	17
Impairment loss on exploration and evaluation assets	-	36,600
Impairment loss on property, plant and equipment	-	244
Impairment loss on receivables, deposits, and prepayments	-	127
Inventories written off	-	101
Property, plant and equipment written off	-	1,098
Provision for warranties	282	247
Unrealised foreign exchange loss	306	867
Operating profit before working capital changes	<hr/> 16,228	<hr/> 8,638
Changes in working capital:		
Inventories	(2,411)	(1,346)
Receivables, deposits and prepayments	(8,148)	(12,557)
Payables and accruals	6,728	14,763
Cash generated from operations	<hr/> 12,397	<hr/> 9,498
Warranties paid	(286)	(122)
Taxation paid (net)	(1,668)	(4,340)
<b>Net cash generated from operating activities</b>	<hr/> <b>10,442</b>	<hr/> <b>5,036</b>



**Condensed unaudited consolidated statement of cash flows for the financial period ended 31 March 2019**  
(continued)

	<b>Current period</b> <b>31.3.2019</b> <b>RM'000</b>	<b>Preceding year</b> <b>corresponding</b> <b>period</b> <b>31.3.2018</b> <b>RM'000</b>
<b>Cash flows from investing activities</b>		
Exploration and evaluation expenditure incurred	(8,611)	(5,379)
Interest received	709	646
Proceeds from disposal of other investment	3,500	-
Proceeds from disposal of property, plant and equipment	100	102
Proceeds from disposal of associate	-	1,158
Purchase of property, plant and equipment	(12,278)	(4,311)
<b>Net cash used in investing activities</b>	<b>(16,580)</b>	<b>(7,783)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(1,078)	(1,575)
Withdrawal in pledged deposits with licensed banks	-	106
Repayment of bank borrowings – net	(1,636)	(9,321)
<b>Net cash used in financing activities</b>	<b>(2,714)</b>	<b>(10,790)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(8,851)</b>	<b>(13,537)</b>
Effect of foreign exchange fluctuation on cash and cash equivalents	983	(6,785)
Cash and cash equivalents at beginning of period	55,389	74,017
<b>Cash and cash equivalents at end of period</b>	<b>47,521</b>	<b>53,695</b>

	← 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	43,847	-	43,847	52,121	74	52,195
Deposits with licensed banks	3,674	-	3,674	1,500	70	1,570
	47,521	-	47,521	53,621	144	53,765
Less:						
Deposits pledged as security	-	-	-	-	(70)	(70)
	47,521	-	47,521	53,621	74	53,695

(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.

In accordance with Section 618 of the Companies Act 2016 on the transition to no par value regime, the share premium account has been consolidated into the share capital account and the post-acquisition capital reserves of subsidiaries has been realised into accumulated losses.

**A5. Seasonal and cyclical factors**

There were no material seasonal or cyclical factors affecting the income and performance of the Group.

**A6. Changes in estimates**

There were no changes in the estimates of amounts which give a material effect for the financial period ended 31 March 2019.

**A7. Dividends**

The Board does not recommend any dividend for the financial period ended 31 March 2019.

**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**

Save for as disclosed in Note B5 below, 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, Isotrax Engineering Sdn Bhd and Integral CAD Technologies Sdn Bhd, 4 wholly owned dormant subsidiaries have been de-registered.

#### A11. Capital commitments

Capital commitments as at 31 March 2019 were as follows:

	<b>RM'000</b>
Approved and contracted for:	
- Property, plant and equipment	2,081
- Lease agreements	1,369
	<u>3,450</u>
Approved but not contracted for:	
- Property, plant and equipment	8,667
- Unconventional gas exploration activities	43,338
	<u>52,005</u>
Total	<u><u>55,455</u></u>

#### A12. Contingent liabilities/assets

As at 31 March 2019, the Company had executed corporate guarantees in favour of licensed financial institutions of up to a limit of RM37.7 million for credit facilities granted to subsidiaries. Out of the total banking facilities secured by corporate guarantees by the Company, a total of RM19.6 million was outstanding at the period end.

### A13. Segmental information

Analysis by business segments being the primary basis of the Group's segmental reporting for the financial period ended 31 March 2019 is as follows:

	<b>Integrated manufacturing services RM'000</b>	<b>Energy RM'000</b>	<b>Resources RM'000</b>	<b>Investment holding RM'000</b>	<b>Consolidation adjustments RM'000</b>	<b>Consolidated RM'000</b>
<b>Segment revenue</b>						
Revenue from external customers	164,091	-	4,682	-	-	168,773
Inter-segment revenue	-	-	-	1,621	(1,621)	-
<b>Total revenue</b>	<b>164,091</b>	<b>-</b>	<b>4,682</b>	<b>1,621</b>		<b>168,773</b>
<b>Segment profit/(loss)</b>						
	11,867	(1,717)	(1,232)	(1,555)	-	7,363
<b>Segment assets</b>						
Customer relationships	171,683	125,955	52,178	97,076	(91,863)	355,029
Goodwill on consolidation						5,624
<b>Consolidated total assets</b>						<b>22,434</b>
						<b>383,087</b>

#### 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 March 2019.

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 accordingly and retrospectively.

#### A15. Discontinued operations

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

	<b>Current quarter 31.3.2019 RM'000</b>	<b>Preceding year corresponding quarter 31.3.2018 RM'000</b>	<b>Current period 31.3.2019 RM'000</b>	<b>Preceding year corresponding period 31.3.2018 RM'000</b>
Revenue	-	3,022	-	9,274
Loss before tax	-	(1,820)	-	(2,802)
Tax expense	-	2	-	7
Loss for the period	-	(1,818)	-	(2,795)
Other comprehensive expense	-	-	-	-
Total comprehensive expense for the period	-	(1,818)	-	(2,795)
<b>Loss for the period attributable to:</b>				
Owners of the Company	-	(1,818)	-	(2,795)
Non-controlling interests	-	-	-	-
Loss for the period	-	(1,818)	-	(2,795)
<b>Total comprehensive expense attributable to:</b>				
Owners of the Company	-	(1,818)	-	(2,795)
Non-controlling interests	-	-	-	-
Total comprehensive expense for the period	-	(1,818)	-	(2,795)
Cash flows from:				
Operating activities			-	(564)
Investing activities			-	(15)
Financing activities			-	(229)
Net cash flow			-	(808)

**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 RM49.8 million for the preceding year corresponding quarter to RM53.5 million for the current quarter, on the back of increased revenue contribution from the IMS segment of RM4.0 million. This in turn was due to an increase in revenue of RM3.4 million from the Automotive division and RM0.6 million from the PMST division. The increase in Automotive division’s revenue is attributable mainly to higher sales orders from a new customer procured by the Automotive division in the last financial year and the increase in PMST division revenue was a result of higher demand. The Resources segment registered a decline in its revenue of RM0.3 million due to a decline in FFB prices.

The net profit from continuing operations for the current quarter improved from RM2.2 million in the preceding year corresponding quarter to RM3.2 million due mainly to an increase of RM1.2 million from the IMS segment. The increase in the IMS segment’s net profit was achieved on the back of higher revenue from the Automotive division. Despite the decline in revenue, the net loss of the Resources segment remained fairly the same at about RM0.5 million.

The Group recorded a net cash outflow of RM8.9 million due mainly to the 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. Nevertheless, cash inflows from operating activities for the current period of RM10.4 million were higher compared to the preceding year corresponding period of RM5.0 million. The cash and bank balances as at period end is RM47.5 million. Comparing this quarter end with the end of the previous financial year, the Group’s net assets per share has increased from RM0.916 to RM0.953, the gearing remained the same at 0.09 times, and the current ratio decreased 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 decreased from RM60.7 million to RM53.5 million. This was due to a decrease in both the IMS and Resources segments’ revenue of RM7.0 million and RM0.2 million respectively. All the divisions in the IMS segment recorded a decrease in their revenue due to overall weak demand as a result of shorter working days in the current quarter and long festive holidays. The decrease in the revenue from the Resources segment was due to a decrease in FFB production.

The net profit from continuing operations for the current quarter registered an increase from RM2.7 million in the previous quarter to RM3.2 million due to an increase in the net profit of the IMS segment. The IMS segment registered an increase of RM1.4 million in its net profit due mainly to the adoption of MFRS 15.

### **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 building has been completed during the current quarter and the PMST division is now pending approval from authorities so that it can commence production by July 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 (“NuEnergy”), has submitted the first coal bed methane (“CBM”) 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<sup>2</sup> (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<sup>2</sup> (after full relinquishment under the terms of the PSC) and are situated in one of most prolific 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 had on 2 April 2019 announce that NuEnergy, a foreign subsidiary of the Group listed on the Australia Securities Exchange, had on 1 April 2019 entered into an Investment Agreement (“Agreement”) with Saujana E&P Sdn. Bhd. (“Saujana E&P”) where Saujana E&P has agreed to take up a strategic investment in NuEnergy via a share placement of 1,540,832,050 new shares in NuEnergy (“NuEnergy Share”) at a placement price of A\$0.025 per NuEnergy Share for a total cash subscription of A\$38,520,801 upon terms and subject to the conditions of the Agreement. Saujana E&P shall pay A\$7,014,590 to NuEnergy (“Deposit”) within fourteen (14) Business Days from the execution of the Agreement

As announced by the Company on 15 May 2019, at the request of Saujana E&P, NuEnergy has agreed to an extension of time to 31 May 2019 for Saujana E&P to pay the Deposit.

## B6. Taxation

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

	<b>Current quarter</b>	<b>Financial period</b>
	<b>31.3.2019</b>	<b>31.3.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Income tax expense</b>		
Malaysia -current year	681	613
- overprovision in prior year	(192)	(192)
Overseas – current	-	1,835
	<u>489</u>	<u>2,256</u>
<b>Deferred tax expense</b>		
Malaysia - current year	<u>(34)</u>	<u>(175)</u>
Total tax expense	<u>455</u>	<u>2,080</u>

The effective tax rate of the Group for the current quarter is lower than the statutory tax rate due mainly to over provision in prior years by the IMS segment, tax incentives and certain income earned in the current quarter not subject to tax.

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

## 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 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 March 2019 were all secured. The borrowings denominated in foreign currency and RM as at 31 March 2019 was as follows:

	<b>RM'000</b>
Foreign Currency:	
- IDR1,335,251,214@ RM0.0287/IDR100	384
RM	<u>21,595</u>
Total Group Borrowings	<u><u>21,979</u></u>

### 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:

	<b>Current quarter 31.3.2019</b>	<b>Current period 31.3.2019</b>
Profit attributable to owners of the Company (RM'000)	3,191	6,813
Weighted average number of ordinary shares ('000)	<u>269,087</u>	<u>269,087</u>
Basic earnings per share (sen)	<u>1.186</u>	<u>2.532</u>

### 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.

	<b>RM'000</b>
<b>Carrying amount</b>	
At 1 July 2018	106,651
Effect of movements in exchange rates	1,299
Additions	<u>8,611</u>
At 31 March 2019	<u><u>116,561</u></u>



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. The Indonesian Special Task Force for Upstream Oil and Gas Business Activities (“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<sup>2</sup> (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 industrial cities of Bontang and Sangatta. The Energy segment has a 100% working interest in Bontang Bengalon PSC and is the operator of that PSC.

In the previous 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 cost-recovery based PSC to a Gross Split based 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.

The Energy Segment has submitted the POD I for the Tanjung Enim PSC and is now awaiting approval from the Indonesia Ministry of Energy and Mineral Resources.

## 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):

	<b>Current quarter 31.3.2019 RM'000</b>	<b>Preceding year corresponding quarter 31.3.2018 RM'000</b>	<b>Current period 31.3.2019 RM'000</b>	<b>Preceding year corresponding period 31.3.2018 RM'000</b>
Allowance for inventories obsolescence	-	(227)	-	(227)
Amortisation of customer relationships	(99)	(99)	(296)	(296)
Amortisation of development costs	(2)	-	(27)	(156)
Changes in fair value of other investments	(13)	(14)	(23)	(21)
Depreciation	(2,428)	(2,502)	(7,424)	(8,152)
Fair value loss on biological assets	(100)	(474)	(213)	(361)
Foreign exchange (loss)/gain	506	(1,064)	(379)	(1,311)
Gain on disposal of property plant and equipment	10	(272)	96	61
Gain on disposal of associate	-	1,158	-	1,158
Impairment loss on exploration and valuation assets	-	787	-	(36,600)
Impairment loss on receivables (net) equipment	-	(127) (244)	-	(127) (244)
Impairment loss on available for sale financial asset	-	-	-	(17)
Inventories written off	-	-	-	(101)
Loss on disposal of other investment	-	-	(20)	-
Property, plant and equipment written off	-	(94)	-	(1,098)
Provision for warranties (net)	87	(70)	(282)	(247)
Rental income	3	3	9	9