



GLOBALTEC FORMATION BERHAD

**(Incorporated in Malaysia)
Company No: 953031-A**

THIRD QUARTERLY REPORT FOR THE FINANCIAL YEAR ENDING 30 JUNE 2020

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**Condensed unaudited consolidated statement of profit or loss and other comprehensive income for the financial period ended 31 March 2020**

	Current quarter 31.3.2020 RM'000	Preceding year corresponding quarter 31.3.2019 RM'000	Current period 31.3.2020 RM'000	Preceding year corresponding period 31.3.2019 RM'000
Revenue	42,427	53,457	144,470	168,773
Cost of sales	(33,391)	(40,813)	(113,613)	(132,190)
Gross profit	9,036	12,644	30,857	36,583
Other operating expenses	(7,679)	(9,638)	(25,202)	(29,700)
Other operating income	-	171	-	849
Results from operating activities	1,357	3,177	5,655	7,732
Finance income	434	209	1,095	709
Finance costs	(286)	(163)	(1,007)	(1,078)
Profit before tax	1,505	3,223	5,743	7,363
Tax expense	(725)	(455)	(2,364)	(2,080)
Profit for the period	780	2,768	3,379	5,283
Other comprehensive income/(expense), net of tax				
Foreign currency translation differences for foreign operations	549	(2,212)	189	2,142
Total comprehensive income for the period	1,329	556	3,568	7,425
(Loss)/Profit attributable to:				
Owners of the Company	(42)	3,191	3,703	6,813
Non-controlling interests	822	(423)	(324)	(1,530)
Profit for the period	780	2,768	3,379	5,283
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(1,167)	1,627	2,337	8,317
Non-controlling interests	2,496	(1,071)	1,231	(892)
Total comprehensive income for the period	1,329	556	3,568	7,425
Basic (loss)/earnings per ordinary share (sen)	(0.016)	1.186	1.376	2.532
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 Report for the year ended 30 June 2019)

**Condensed unaudited consolidated statement of financial position as at 31 March 2020**

	As at 31.3.2020 RM'000	Audited 30.6.2019 RM'000
Non-current assets		
Property, plant and equipment	108,572	110,324
Exploration and evaluation assets	105,595	99,339
Investment property	10,402	-
Intangible assets	27,411	27,706
Deferred tax assets	692	769
Total non-current assets	<u>252,672</u>	<u>238,138</u>
Current assets		
Biological assets	267	172
Receivables, deposits and prepayments	33,799	38,213
Inventories	21,417	28,368
Contract assets	6,313	7,631
Other investments	161	185
Current tax assets	1,694	1,373
Fixed deposits with maturity more than 3 months but less than 12 months	-	6,000
Cash and cash equivalents	48,938	40,750
Total current assets	<u>112,589</u>	<u>122,692</u>
TOTAL ASSETS	<u>365,261</u>	<u>360,830</u>
Equity attributable to owners of the Company		
Share capital	643,647	643,647
Business combination deficit	(157,064)	(157,064)
Reserves	(250,928)	(253,266)
	<u>235,655</u>	<u>233,317</u>
Non-controlling interests	40,925	39,694
Total equity	<u>276,580</u>	<u>273,011</u>
Long term and deferred liabilities		
Borrowings	5,882	6,562
Deferred tax liabilities	6,667	5,206
Total long term and deferred liabilities	<u>12,549</u>	<u>11,768</u>
Current liabilities		
Payables and accruals	32,795	35,080
Tax liabilities	507	361
Provisions	27,250	25,660
Borrowings	15,580	14,950
Total current liabilities	<u>76,132</u>	<u>76,051</u>
Total liabilities	<u>88,681</u>	<u>87,819</u>
TOTAL EQUITY AND LIABILITIES	<u>365,261</u>	<u>360,830</u>
Net assets per share attributable to owners of the Company (RM)	0.876	0.867

(The condensed unaudited consolidated statement of financial position should be read in conjunction with the Annual Report for the year ended 30 June 2019)

Condensed unaudited consolidated statement of changes in equity for the financial period ended 31 March 2020

	← 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			
At 1 July 2019	643,647	-	-	(553)	(44,479)	(157,064)	(208,233)	233,318	39,694	273,012
Total comprehensive (expense)/income for the period	-	-	-	(1,366)	-	-	3,703	2,337	1,231	3,568
At 31 March 2020	643,647	-	-	(1,919)	(44,479)	(157,064)	(204,530)	235,655	40,925	276,580

	← 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			
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 <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	-	-	6,714	8,218	(892)	7,326
At 31 March 2019	643,647	-	-	(2,434)	(44,479)	(157,064)	(183,464)	256,206	61,942	318,148

(The condensed unaudited consolidated statement of changes in equity should be read in conjunction with the Annual Report for the year ended 30 June 2019)

**Condensed unaudited consolidated statement of cash flows for the financial period ended 31 March 2020**

	Current period	Preceding year
	31.3.2020	corresponding
	RM'000	period
		31.3.2019
		RM'000
Cash flows from operating activities		
Profit before tax	5,743	7,363
Adjustments for:		
Amortisation of customer relationships	296	296
Amortisation of development costs	-	27
Changes in fair value of other investments	25	23
Depreciation	8,671	7,424
Dividend income	(2)	-
Fair value loss on biological assets	161	213
Finance costs	1,007	1,078
Finance income	(1,095)	(709)
Gain on disposal of property, plant and equipment	(188)	(96)
Loss on disposal of other investment	-	20
Property, plant and equipment written off	3	-
Provision for warranties (net)	116	282
Unrealised foreign exchange loss	1,522	306
Operating profit before working capital changes	<u>16,259</u>	<u>16,228</u>
Changes in working capital:		
Inventories	6,049	(2,411)
Contract assets	1,319	-
Receivables, deposits and prepayments	1,442	(8,148)
Payables and accruals	<u>(2,081)</u>	<u>6,728</u>
Cash generated from operations	22,988	12,397
Warranties paid	(110)	(286)
Taxation paid (net)	<u>(1,058)</u>	<u>(1,668)</u>
Net cash generated from operating activities	<u><u>21,820</u></u>	<u><u>10,442</u></u>



Condensed unaudited consolidated statement of cash flows for the financial period ended 31 March 2020
(continued)

	Current period	Preceding year
	31.3.2020	corresponding
	RM'000	period
		31.3.2019
		RM'000
Cash flows from investing activities		
Dividend received	2	-
Exploration and evaluation expenditure incurred	(1,005)	(8,611)
Interest received	1,095	709
Decrease in tenure of fixed deposits	6,000	-
Proceeds from disposal of other investment	-	3,500
Proceeds from disposal of property, plant and equipment	341	100
Purchase of property, plant and equipment	(3,837)	(12,278)
Additions in investment property	(10,411)	-
Net cash used in investing activities	(7,815)	(16,580)
Cash flows from financing activities		
Interest paid	(1,007)	(1,078)
Repayment of bank borrowings – net	(4,580)	(1,636)
Net cash used in financing activities	(5,587)	(2,714)
Net increase/(decrease) in cash and cash equivalents	8,418	(8,851)
Effect of foreign exchange fluctuation on cash and cash equivalents	(27)	983
Cash and cash equivalents at beginning of period	39,704	55,389
Cash and cash equivalents at end of period	48,095	47,521

	Current period	Preceding year
	31.3.2020	corresponding
	RM'000	period
		31.3.2019
		RM'000
Cash and bank balances	21,918	23,195
Short term placement	10,420	13,835
Deposits with licensed banks	16,600	10,491
	48,938	47,521
Less:		
Bank overdraft	(843)	-
	48,095	47,521

(The condensed unaudited consolidated statement of cash flows should be read in conjunction with the Annual Report for the year ended 30 June 2019)

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 2019.

The Group had during the financial year inter-alia adopted MFRS 16, *Leases* (which was effective for annual periods beginning on or after 1 January 2019). The Group had applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to accumulated losses at 1 July 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented as previously reported under MFRS 117, *Leases* and related interpretations.

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*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short term leases and leases of low-value items. Lessor accounting remains similar to the previous accounting standard which continues to be classified as finance or operating lease.

At 1 July 2019, the Group has recognised lease liabilities of RM4.3 million with a corresponding right-of-use assets of equivalent amount. There is no impact to the Group’s existing finance leases.

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 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business* Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

The accounting standard that is effective for annual period beginning on or after 1 January 2021 is currently not applicable to the Group.

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.

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 2020.

A7. Dividends

The Board does not recommend any dividend for the financial period ended 31 March 2020.

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

There were no changes in the Group structure for the financial period and up to the date of this report.

A11. Capital commitments

Contracted but not provided for capital commitments as at 31 March 2020 were as follows:

	RM'000
In respect of:	
- Property, plant and equipment	1,180
- Lease agreements	1,992
Total	<u>3,172</u>

A12. Contingent liabilities/assets

As at 31 March 2020, the Company had executed corporate guarantees in favour of licensed financial institutions of up to a limit of RM35.4 million for credit facilities granted to subsidiaries. Out of the total banking facilities secured by corporate guarantees by the Company, a total of RM16.7 million was outstanding at the period end.

A13. Debt and equity securities

There were no issuances, cancellations, share splits, repurchases and repayments of the Company's debt or equity securities for the financial period ended 31 March 2020.

A14. Segmental information

Analysis by business segments being the primary basis of the Group's segmental reporting for the financial period ended 31 March 2020 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	140,499	-	3,971	-	-	144,470
Inter-segment revenue	-	-	-	1,402	(1,402)	-
Total revenue	<u>140,499</u>	<u>-</u>	<u>3,971</u>	<u>1,402</u>		<u>144,470</u>
Segment profit/(loss)						
	<u>10,613</u>	<u>(2,275)</u>	<u>(1,524)</u>	<u>(1,071)</u>	<u>-</u>	<u>5,743</u>
Segment assets						
Customer relationships						5,229
Goodwill on consolidation						22,182
Consolidated total assets						<u>365,261</u>

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 decreased from RM53.5 million for the preceding year corresponding quarter to RM42.4 million for the current quarter. This was due to a decline in revenue of RM10.8 million and RM0.3 million, registered by the IMS and Resources segment respectively. All the divisions within the IMS segment registered a decline in their revenue due to lower industry demand, which was mainly due to the global COVID-19 pandemic and the Movement Control Order (“MCO”) imposed by the Government. The Resources segment registered a decline in its revenue due to a decrease in FFB production.

In tandem with the decline in revenue, the Group recorded a marginal net loss of RM42,000 for the current quarter versus a net profit of RM3.2 million for the preceding year corresponding quarter. Comparing current quarter with the preceding year corresponding quarter, the net profit of the IMS segment decreased from RM4.1 million to RM2.2 million, due mainly a decline in the net profit from the Automotive division, attributable to a decline in its revenue. The PMST division however recorded consistent net profit despite recording a drop in its revenue due mainly to better product mix, better cost management and being able to operate partly during the MCO. The Resources segment recorded an increase in net loss from RM0.4 million for the preceding year corresponding quarter to RM0.7 million for the current quarter due to a decrease in revenue.

The Group recorded a net cash inflow of RM11.9 million for the current period versus a net cash outflow of RM8.9 million for the preceding year corresponding period. This was achieved, despite the Group acquiring a piece of land as investment property amounting to RM10.4 million during the current period, with higher operating cash inflows of RM25.3 million for the current period as compared to RM10.4 million for the same period in the previous financial year. The cash and cash equivalents of the Group as at period end stood at RM48.1 million (31 March 2019: RM47.5 million). Comparing quarter end with the end of previous financial year, the Group’s net assets per share has increased from RM0.867 to RM0.876 whilst the gearing has remained constant at 0.09 times. Current ratio of the Group has decreased from 1.61 times to 1.47 times.

B2. Material changes from the preceding quarter

Comparing quarter on quarter, the Group’s revenue decreased from RM49.1 million to RM42.4 million due to a decrease in both the IMS segment and the Resources segment’s revenue. The decrease in IMS segment’s revenue of RM6.4 million, experienced by all the IMS divisions, was due mainly to lower demand as a result of the COVID-19 pandemic and MCO. The Resources segment has registered a decrease in the revenue of RM0.3 million was due to a decrease in the FFB production.

In tandem with the decline in revenue, the Group registered a decline in its net profit of RM1.7 million in the previous quarter to a net loss of RM0.4 million for the current quarter. Both the IMS and Resources segments recorded lower net results in line with its lower revenue.

B3. Prospects

The current global Covid-19 pandemic has caused great damaging effects to the global/the Malaysian's economy. On 16 March 2020, the government of Malaysia announced that, in an attempt to overcome the spread of the COVID-19 infection in Malaysia, a nationwide Movement Control Order ("MCO") was put in place from 18th March 2020 to 31st March 2020. The MCO which has now been extended to 12th May 2020, is unprecedented and requires all non-essential business to be not operating. The Group's businesses too are not able to operate at its usual capacity but whilst still having to pay for various fixed costs and overhead. As such, the businesses of Globaltec Group have been and will be adversely affected due to the ongoing pandemic and MCO. In this regard, the Group has implemented group cost cutting and austerity measures across all the subsidiaries to preserve its cash flow and doing everything possible to overcome this crisis.

On a positive note, the Precision Machining and Automation ("PMA"), a sub-division within the PMST division's new factory facility of 60,000 square feet at Penang Science Park was completed and ready in the first quarter of the current financial year and the PMA division expects to gradually increase its capacity and revenue over time.

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 33km² (or 13% of the total Tanjung Enim PSC acreage). 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 proposed POD I is currently pending the approval from the Government of Indonesia. The current global Covid-19 pandemic has however slowed the approval process of the proposed POD I.

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 31.3.2020 RM'000	Financial period 31.3.2020 RM'000
Income tax expense		
Malaysia -current year	504	(225)
Overseas – current	347	1,127
	<u>851</u>	<u>902</u>
Deferred tax expense		
Malaysia - current year	(126)	1,462
Total tax expense	<u>725</u>	<u>2,364</u>

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) 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 Enim 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 2020 were all secured. The borrowings denominated in foreign currency and RM as at 31 March 2020 was as follows:

	RM'000
Foreign Currency:	
- IDR989,752,382@ RM0.0264/IDR100	261
RM	<u>21,201</u>
Total Group Borrowings	<u>21,462</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 (loss)/earnings per share

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

	Current quarter	Current period
(Loss)/Profit attributable to owners of the Company (RM'000)	(42)	3,703
Weighted average number of ordinary shares ('000)	269,087	269,087
	<hr/>	<hr/>
Basic earnings per share (sen)	(0.016)	1.376

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 2019	99,339
Effect of movements in exchange rates	5,251
Additions	<u>1,005</u>
At 31 March 2020	<u><u>105,595</u></u>

The Energy segment continued with its engagement with its partners and with the Government of Indonesia to secure approval of the Tanjung Enim Gross Split PSC and POD I. This included a field visit (at the request of the Ministry of Energy and Mineral Resources ("MEMR")) by the Director General of Oil and Gas and representatives from Lemigas, Geology Department and the MEMR to the Tanjung Enim site from 18 December 2019 to 19 December 2019. The visit was made to all the wells, namely TE-10, TE-11, TE-12, TE-13 and TE-14.

The Energy segment also submitted, in respect of the Muara Enim PSC, a proposal for additional exploration period to continue the exploration activities beyond the 10th Contract Year which ended on 29 November 2019 to the MEMR through the Indonesian Special Task Force for Upstream Oil and Gas Business Activities ("SKK Migas"). The Energy segment has in early February 2020 been granted an additional exploration period by MEMR through SKK Migas to continue the exploration activities beyond the 10th Contract Year from 30 November 2019 to 19 January 2021.

B12. Notes to the statement of profit or loss and other comprehensive income

Other than interest income and finance costs, included in the statement of profit or loss and other comprehensive income are the following credits/(charges):

	Current quarter 31.3.2020 RM'000	Preceding year corresponding quarter 31.3.2019 RM'000	Current period 31.3.2020 RM'000	Preceding year corresponding period 31.3.2019 RM'000
Amortisation of customer relationships	(99)	(99)	(296)	(296)
Amortisation of development costs	-	(2)	-	(27)
Changes in fair value of other investments	(23)	(13)	(25)	(23)
Depreciation	(2,886)	(2,428)	(8,671)	(7,424)
Fair value changes on biological assets	(256)	(100)	(161)	(213)
Foreign exchange (loss)/gain	(714)	506	(950)	(379)
Gain on disposal of property plant and equipment	51	10	188	96
Loss on disposal of other investment	-	-	-	(20)
Property, plant and equipment written off	(3)	-	(3)	-
Provision for warranties (net)	(29)	87	(116)	(282)
Rental income	3	3	9	9