



GLOBALTEC FORMATION BERHAD

(Incorporated in Malaysia)

Company No: 953031-A

FIRST QUARTERLY REPORT FINANCIAL YEAR 2021

HIGHLIGHTS

- **Group records net profit of RM10.7 million for the 1st quarter**
- **Net cash inflow of RM12.2 million**
- **Cash/Fixed deposit position increased from RM56 million to RM62.2 million**
- **Gearing decreased from 0.09 times to 0.08 times**
- **Net assets increased to RM245.1 million**
- **Net assets per share increased to RM0.91**



Condensed unaudited consolidated statement of profit or loss and other comprehensive income for the financial period ended 30 September 2020

	Current quarter 30.9.2020 RM'000	Preceding year corresponding quarter 30.9.2019 RM'000	Current period 30.9.2020 RM'000	Preceding year corresponding period 30.9.2019 RM'000
Revenue	36,348	52,966	36,348	52,966
Cost of sales	(27,531)	(41,409)	(27,531)	(41,409)
Gross profit	8,817	11,557	8,817	11,557
Other operating expenses	(9,067)	(8,957)	(8,615)	(8,957)
Other operating income	22,413	110	21,961	110
Results from operating activities	22,163	2,710	22,163	2,710
Finance income	299	418	299	418
Finance costs	(275)	(333)	(275)	(333)
Profit before tax	22,187	2,795	22,187	2,795
Tax expense	(1,900)	(977)	(1,900)	(977)
Profit for the period	20,287	1,818	20,287	1,818
Other comprehensive (expense)/income, net of tax	(4,819)	1,366	(4,819)	1,366
Total comprehensive income for the period	15,468	3,184	15,468	3,184
Profit/(Loss) attributable to:				
Owners of the Company	10,746	1,999	10,746	1,999
Non-controlling interests	9,541	(181)	9,541	(181)
Profit for the period	20,287	1,818	20,287	1,818
Total comprehensive income attributable to:				
Owners of the Company	6,536	2,944	6,536	2,944
Non-controlling interests	8,932	240	8,932	240
Total comprehensive income for the period	15,468	3,184	15,468	3,184
Basic earnings per ordinary share (sen)	3.994	0.743	3.994	0.743
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 2020)

**Condensed unaudited consolidated statement of financial position as at 30 September 2020**

	As at 30.9.2020 RM'000	Audited 30.6.2020 RM'000
Non-current assets		
Property, plant and equipment	70,354	73,011
Right-of-use assets	34,839	35,781
Exploration and evaluation assets	100,932	103,598
Other investments	53	53
Other financial assets	3,057	3,138
Investment property	13,605	13,605
Intangible assets	27,338	27,445
Deferred tax assets	153	165
Total non-current assets	<u>250,331</u>	<u>256,796</u>
Current assets		
Biological assets	469	241
Receivables, deposits and prepayments	21,538	17,301
Inventories	21,106	24,034
Contract assets	4,679	5,374
Other investments	15,379	164
Current tax assets	1,838	1,882
Fixed deposits with maturity more than 3 months but less than 12 months	-	3,000
Cash and cash equivalents	62,206	53,004
Total current assets	<u>127,215</u>	<u>105,000</u>
TOTAL ASSETS	<u>377,546</u>	<u>361,796</u>
Equity attributable to owners of the Company		
Share capital	643,647	643,647
Business combination deficit	(157,064)	(157,064)
Reserves	(241,477)	(248,013)
	<u>245,106</u>	<u>238,570</u>
Non-controlling interests	45,691	36,759
Total equity	<u>290,797</u>	<u>275,329</u>
Long term and deferred liabilities		
Borrowings	3,319	3,749
Lease liabilities	1,667	2,014
Deferred income	1,289	1,329
Deferred tax liabilities	8,108	6,813
Total long term and deferred liabilities	<u>14,383</u>	<u>13,905</u>
Current liabilities		
Payables and accruals	31,471	30,536
Lease liabilities	1,051	1,681
Tax liabilities	255	323
Deferred income	160	160
Provisions	25,722	26,398
Borrowings	13,707	13,464
Total current liabilities	<u>72,366</u>	<u>72,562</u>
Total liabilities	<u>86,749</u>	<u>86,467</u>
TOTAL EQUITY AND LIABILITIES	<u>377,546</u>	<u>361,796</u>
Net assets per share attributable to owners of the Company (RM)	0.911	0.887

(The condensed unaudited consolidated statement of financial position should be read in conjunction with the Annual Report for the year ended 30 June 2020)

Condensed unaudited consolidated statement of changes in equity for the financial period ended 30 September 2020

	← Attributable to owners of the Company →							Non-controlling interests	Total equity
	Share capital	Foreign currency translation reserve	Fair value adjustment reserve	Business combination deficit	Accumulated losses	Total	RM'000		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
At 1 July 2020	643,647	2,351	(44,479)	(157,064)	(205,885)	238,570	36,759	275,329	
Total comprehensive (expense)/income for the period	-	(4,210)	-	-	10,746	6,536	8,932	15,468	
At 30 September 2020	643,647	(1,858)	(44,479)	(157,064)	(195,139)	245,106	45,691	290,797	

	← Attributable to owners of the Company →							Non-controlling interests	Total equity
	Share capital	Foreign currency translation reserve	Fair value adjustment reserve	Business combination deficit	Accumulated losses	Total	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)	233,317	39,694	273,011	
Total comprehensive income for the period	-	945	-	-	1,999	2,944	240	3,184	
At 30 September 2019	643,647	392	(44,479)	(157,064)	(206,234)	236,261	39,934	276,195	

(The condensed unaudited consolidated statement of changes in equity should be read in conjunction with the Annual Report for the year ended 30 June 2020)

**Condensed unaudited consolidated statement of cash flows for the financial period ended 30 September 2020**

	Current period	Preceding year
	30.9.2020	corresponding
	RM'000	period
		30.9.2019
		RM'000
Cash flows from operating activities		
Profit before tax	22,187	2,795
Adjustments for:		
Amortisation of customer relationships	99	99
Amortisation of development costs	8	-
Amortisation of government grant	(40)	-
Changes in fair value of other investments	678	8
Depreciation	2,865	2,579
Fair value (gain)/loss on biological assets	(228)	133
Finance costs	275	333
Finance income	(299)	(418)
Gain on disposal of gold royalty	(21,664)	-
Gain on disposal of property, plant and equipment	-	(10)
Provision for warranties (net)	22	45
Unrealised foreign exchange loss	234	23
Operating profit before working capital changes	4,137	5,587
Changes in working capital:		
Inventories	2,345	4,758
Contract assets	696	260
Receivables, deposits and prepayments	(4,805)	(7,185)
Payables and accruals	2,999	4,189
Cash generated from operations	5,372	7,609
Warranties paid	-	(45)
Taxation paid (net)	(673)	(768)
Net cash generated from operating activities	4,699	6,796



Condensed unaudited consolidated statement of cash flows for the financial period ended 30 September 2020
(continued)

	Current period	Preceding year
	30.9.2020	corresponding
	RM'000	period
		30.9.2019
		RM'000
Cash flows from investing activities		
Exploration and evaluation expenditure incurred	(154)	(699)
Interest received	299	418
Withdrawal of long tenure fixed deposits	3,000	-
Proceeds from disposal of property, plant and equipment	-	10
Proceeds from disposal of gold royalty	5,591	-
Purchase of property, plant and equipment	(131)	(417)
Net cash generated from/(used in) investing activities	8,605	(688)
Cash flows from financing activities		
Interest paid	(275)	(333)
Repayment of bank borrowings – net	(861)	(638)
Net cash used in financing activities	(1,136)	(971)
Net increase in cash and cash equivalents	12,168	5,137
Effect of foreign exchange fluctuation on cash and cash equivalents	(2,675)	(308)
Cash and cash equivalents at beginning of period	52,713	39,704
Cash and cash equivalents at end of period	62,206	44,533

	Current period	Preceding year
	30.9.2020	corresponding
	RM'000	period
		30.9.2019
		RM'000
Cash and bank balances	33,364	16,389
Short term placement	13,842	18,746
Deposits with licensed banks	15,000	10,266
	62,206	45,401
Less:		
Bank overdraft	-	(868)
	62,206	44,533

(The condensed unaudited consolidated statement of cash flows should be read in conjunction with the Annual Report for the year ended 30 June 2020)

NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of preparation

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

A2. Significant Accounting Policies

The significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 30 June 2020.

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 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform–Phase 2*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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, interpretations and amendments:

- from the annual period beginning on 1 July 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021.
- from the annual period beginning on 1 July 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for Amendments to MFRS 1 which is not applicable to the Group.
- from the annual period beginning on 1 July 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 which is not applicable to the Group.

The initial application of the abovementioned accounting standards and amendments is not expected to have any material financial impact to the current period and prior period financial statements of 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 30 September 2020.

A7. Dividends

The Board does not recommend any dividend for the financial period ended 30 September 2020

A8. Material events subsequent to the period end

There were no material events subsequent to the financial period end.

A9. Changes in composition of the Group

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

A10. Capital commitments

Contracted but not provided for capital commitments as at 30 September 2020 were as follows:

	RM'000
In respect of:	
- Property, plant and equipment	<u>1,302</u>

A11. Contingent liabilities/assets

As at 30 September 2020, the Company had executed corporate guarantees in favour of licensed financial institutions of up to a limit of RM35.2 million for credit facilities granted to subsidiaries. Out of the total banking facilities secured by corporate guarantees by the Company, a total of RM15.5 million was outstanding at the period end.

A12. Debt and equity securities

There were no issuances, cancellations, share splits, repurchases and repayments of the Company's debt or equity securities for the financial period ended 30 September 2020.

A13. Segmental information

Analysis by business segments being the primary basis of the Group's segmental reporting for the financial period ended 30 September 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	34,780	-	1,568	-	-	36,348
Inter-segment revenue	-	-	-	331	(331)	-
Total revenue	34,780	-	1,568	331		36,348
Segment profit/(loss)						
	2,401	20,100	132	(608)	162	22,187
Segment assets						
Customer relationships	162,770	126,370	47,921	84,728	(71,456)	350,333
Goodwill on consolidation						5,032
Consolidated total assets						22,181
						377,546

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 for the current quarter decreased from RM53 million in the preceding year corresponding quarter to RM36.3 million. The decrease is due to a decline in the revenue from the IMS segment from RM51.8 million to RM34.8 million, where all IMS divisions registered a decline in their revenue. The decline in revenue is attributable to weak demand due to the COVID-19 pandemic and the restriction in movements imposed worldwide and in Malaysia. The Resources segment however recorded an increase in their revenue due to an uptrend in FFB prices, offset partially by a decline in FFB production.

The Group’s net profit increased from RM2 million in the preceding year corresponding quarter to RM10.7 million for the current quarter. This was mainly due to the Group’s effective share of a gain on disposal of royalty amounting to RM11.2 million offset by an additional deferred tax expense in the Resources segment of RM1.3 million recognised during the quarter.

Excluding the above items, the Group’s net profit decreased from RM2 million in the preceding year corresponding quarter to RM0.8 million for the current quarter. In tandem with the decline in revenue, the net profit from the IMS segment decreased by RM1.7 million from RM3.6 million in the preceding year corresponding quarter to RM1.9 million for the current quarter. Within the IMS segment, the PMST division suffered a decline in net profit by RM2 million to record a net profit of RM1.8 million for the current quarter, on the back of lower revenue. The Automotive division, despite the decline in revenue, registered a turnaround from a net loss of RM0.1 million to a net profit of RM0.2 million due mainly to better cost management and rationalisation of its operations. The Resources segment on a normalised basis, registered lower net losses of RM30,000 for the current quarter versus RM0.8 million for the preceding year corresponding quarter, in line with its higher revenue.

The Group’s cash and cash equivalents/deposit continued to grow to RM62.2 million (30 June 2020: RM55.7 million). The Group recorded a net cash inflow of RM12.2 million for the current period year versus a net cash inflow of RM5.1 million for the preceding year corresponding period, mainly aided by the proceeds from the disposal of gold royalty amounting to RM5.6 million. The Group’s net assets per share has increased from RM0.887 to RM0.911 whilst the gearing dropped to 0.08 times from 0.09 times as at 30 June 2020. Current ratio of the Group improved from 1.45 times to 1.76 times.

B2. Material changes from the preceding quarter

Comparing quarter on quarter, the Group’s revenue increased from RM20 million to RM36.3 million due to both the IMS and Resources segments registering higher revenues. The IMS segment’s revenue increased from RM18.6 million to RM34.8 million as a result of improving demand and the gradual easing of movement restrictions in Malaysia. All IMS divisions recorded higher revenues. The revenue from the Resources segment increased by RM0.2 million to RM1.6 million from RM1.4 million quarter on quarter on the back of higher FFB prices. The increase was partially offset by a marginal decline in FFB production.

In the previous quarter, the Energy segment incurred an impairment loss on receivable of RM1.7 million (Group's effective share), the Investment Holding segment accounted for a fair value gain (net of deferred tax) of RM2.9 million on its investment property and an additional provision of deferred tax expense of RM1.7 million (Resources segment).

Excluding the gain on disposal and additional deferred tax expense for the current quarter and the previous quarter's exceptional items mentioned above, the Group registered a positive turnaround from a net loss of RM0.9 million in the previous quarter to a net profit of RM0.8 million for the current quarter. This was due mainly to the IMS segment (all IMS divisions) registering higher net results totalling RM2.2 million, in line with their higher revenue. The results from the Resources segment on a normalised basis was consistent quarter on quarter.

B3. Prospects

The Covid-19 pandemic has caused great damaging effects to the global/Malaysian economy. In addition, there has been some major unrest in Indonesia caused by the citizens' dissent against some changes to labour regulations. As such, the Group's businesses too face challenges 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 affected due to the ongoing pandemic and the movement control order. In this regard, the Group has implemented group cost cutting and austerity measures across all the subsidiaries to preserve its cash flow and are doing everything possible to overcome this crisis.

On a positive note, the PMST division will continue to gradually increase its capacity and revenue over time with the commissioning of its new 56,000 square feet facility in Bukit Minyak, Penang in the previous financial year. Moreover, stimulus packages implemented by the Malaysian government have augured well for the Group, particularly for the Automotive division, as sales of motor vehicles has been on the rise since July 2020. In addition, all the business activities of the IMS Segment has been showing gradual signs of recovery and positive return to normal.

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 ("Lemigas") 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 as well as other exploration activities of the Energy segment. During the current quarter, as announced by the Company on 28 September 2020, the disposal of the gold royalty by the Energy segment was completed and the proceeds from the completion, comprising cash of A\$2 million and 467,730 shares in Metalla (listed on the TSX Venture Exchange in Canada) worth about A\$5 million, will bring fresh new funds that will reinvigorate the Energy segment and enable the Energy segment to advance the development of its unconventional gas assets in the highly prospective area in South Sumatra, Indonesia. Furthermore, the Metalla shares will provide exposure to any increase in the gold price in the near to long term and will provide further liquidity/funds to NuEnergy when sold for cash.

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:

	30.9.2020
	RM'000
Income tax expense	
Malaysia -current year	(866)
Overseas – current	1,471
	<u>605</u>
Deferred tax expense	
Malaysia - current year	1,295
	<u>1,900</u>
Total tax expense	<u>1,900</u>

The effective tax rate of the Group for the current quarter and current period is lower than the statutory tax rate due mainly to the non-taxable gain on disposal of royalty.

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 30 September 2020 were all secured. The borrowings denominated in foreign currency and RM as at 30 September 2020 were as follows:

	RM'000
Foreign Currency:	
- IDR471,553,883@ IDR:RM of 3,584:1	132
RM	<u>19,612</u>
Total Group Borrowings	<u>19,744</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:

	Current quarter
Profit attributable to owners of the Company (RM'000)	10,746
Weighted average number of ordinary shares ('000)	<u>269,087</u>
Basic earnings per share (sen)	<u>3.994</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.

	RM'000
Carrying amount	
At 1 July 2020	103,598
Effect of movements in exchange rates	(2,820)
Additions	<u>154</u>
At 30 September 2020	<u><u>100,932</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. The ongoing discussions and engagements with the PSC partners, the Special Task Force for Upstream Oil and Gas Business Activities ("SKK Migas"), the Directorate General of Oil and Gas and the Ministry of Energy and Mineral Resources of Indonesia represent the final stage towards the Tanjung Enim POD 1 approval.

The Energy segment is working with SKK Migas to finalise a work scope to drill a twin well to the MU005 well in the Muralim PSC in an effort to prepare for the Exploration Status Decision (PSE) stage and POD submission by end of May 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 30.9.2020 RM'000	Preceding year corresponding quarter 30.9.2019 RM'000	Current period 30.9.2020 RM'000	Preceding year corresponding period 30.9.2019 RM'000
Amortisation of customer relationships	(99)	(99)	(99)	(99)
Amortisation of development costs	(8)	-	(8)	-
Amortisation of government grant	40	-	40	-
Changes in fair value of other investments	(678)	(8)	(678)	(8)
Depreciation	(2,865)	(2,579)	(2,865)	(2,579)
Fair value changes on biological assets	228	(133)	228	(133)
Foreign exchange (loss)/gain	(234)	192	(234)	192
Gain on disposal of property plant and equipment	-	10	-	10
Gain on disposal of gold royalty	21,664	-	21,664	-
Provision for warranties (net)	(22)	(45)	(22)	(45)
Rental income	3	3	3	3