



GLOBALTEC FORMATION BERHAD

(Incorporated in Malaysia)

Company No: 953031-A

FIRST QUARTERLY REPORT FINANCIAL YEAR 2022

HIGHLIGHTS

- **Group continues profit trend with net profit of RM1.4 million despite lockdown restrictions, for the quarter**
- **Cash/Cash equivalent position at RM73.0 million**
- **Gearing remains at 0.06 times**
- **Net assets increased to RM258 million**
- **Net assets per share increased to RM0.96**
- **Payment of inaugural dividend of 3 sen per share on 26 November 2021**

**Condensed unaudited consolidated statement of profit or loss and other comprehensive income for the financial period ended 30 September 2021**

	Current quarter 30.9.2021 RM'000	Preceding year corresponding quarter 30.9.2020 RM'000	Current period 30.9.2021 RM'000	Preceding year corresponding period 30.9.2020 RM'000
Revenue	34,689	36,348	34,689	36,348
Cost of sales	(24,300)	(27,531)	(24,300)	(27,531)
Gross profit	10,389	8,817	10,389	8,817
Other operating expenses	(9,223)	(8,615)	(9,223)	(8,615)
Other operating income	413	21,961	413	21,961
Results from operating activities	1,579	22,163	1,579	22,163
Finance income	221	299	221	299
Finance costs	(255)	(275)	(255)	(275)
Profit before tax	1,545	22,187	1,545	22,187
Tax expense	(1,259)	(1,900)	(1,259)	(1,900)
Profit for the period	286	20,287	286	20,287
Other comprehensive income/(expense), net of tax				
Foreign currency translation differences for foreign operations	1,424	(4,819)	1,424	(4,819)
Total comprehensive income for the period	1,710	15,468	1,710	15,468
Profit/(Loss) attributable to:				
Owners of the Company	1,358	10,746	1,358	10,746
Non-controlling interests	(1,072)	9,541	(1,072)	9,541
Profit for the period	286	20,287	286	20,287
Total comprehensive income/(expense) attributable to:				
Owners of the Company	2,518	6,536	2,518	6,536
Non-controlling interests	(808)	8,932	(808)	8,932
Total comprehensive income for the period	1,710	15,468	1,710	15,468
Basic earnings per ordinary share (sen)	0.505	3.994	0.505	3.994
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 2021)



Condensed unaudited consolidated statement of financial position as at 30 September 2021

	As at 30.9.2021 RM'000	Audited 30.6.2021 RM'000
Non-current assets		
Property, plant and equipment	62,842	62,901
Right-of-use assets	30,970	32,238
Exploration and evaluation assets	105,379	103,479
Other investments	53	53
Other financial assets	2,175	2,151
Investment property	13,605	13,605
Intangible assets	26,909	27,016
Total non-current assets	<u>241,933</u>	<u>241,443</u>
Current assets		
Biological assets	1,062	491
Receivables, deposits and prepayments	27,215	23,262
Inventories	42,739	30,987
Contract assets	4,382	4,504
Other investments	9,877	15,071
Current tax assets	623	1,471
Cash and cash equivalents	72,811	72,973
Total current assets	<u>158,709</u>	<u>148,759</u>
TOTAL ASSETS	<u>400,642</u>	<u>390,202</u>
Equity attributable to owners of the Company		
Share capital	643,647	643,647
Business combination deficit	(157,064)	(157,064)
Reserves	(228,290)	(230,808)
	<u>258,293</u>	<u>255,775</u>
Non-controlling interests	44,032	44,840
Total equity	<u>302,325</u>	<u>300,615</u>
Long term and deferred liabilities		
Borrowings	2,320	2,627
Lease liabilities	684	822
Deferred income	1,805	1,873
Deferred tax liabilities	8,180	8,274
Total long term and deferred liabilities	<u>12,989</u>	<u>13,596</u>
Current liabilities		
Payables and accruals	45,824	36,121
Lease liabilities	1,054	1,147
Tax liabilities	2,042	1,954
Deferred income	271	271
Provisions	25,805	25,521
Borrowings	10,332	10,977
Total current liabilities	<u>85,328</u>	<u>75,991</u>
Total liabilities	<u>98,317</u>	<u>89,587</u>
TOTAL EQUITY AND LIABILITIES	<u>400,642</u>	<u>390,202</u>
Net assets per share attributable to owners of the Company (RM)	0.960	0.951

(The condensed unaudited consolidated statement of financial position should be read in conjunction with the Annual Report for the year ended 30 June 2021)

Condensed unaudited consolidated statement of changes in equity for the financial period ended 30 September 2021

	← Attributable to owners of the Company →							Total equity RM'000
	Share capital	Foreign currency translation reserve	Fair value adjustment reserve	Business combination deficit	Accumulated losses	Total	Non-controlling interests	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 July 2021	643,647	(844)	(44,479)	(157,064)	(185,485)	255,775	44,840	300,615
Total comprehensive income/(expense) for the period	-	1,160	-	-	1,358	2,518	(808)	1,710
At 30 September 2021	643,647	316	(44,479)	(157,064)	(184,127)	258,293	44,032	302,325

	← Attributable to owners of the Company →							Total equity RM'000
	Share capital	Foreign currency translation reserve	Fair value adjustment reserve	Business combination deficit	Accumulated losses	Total	Non-controlling interests	
	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

(The condensed unaudited consolidated statement of changes in equity should be read in conjunction with the Annual Report for the year ended 30 June 2021)

**Condensed unaudited consolidated statement of cash flows for the financial period ended 30 September 2021**

	Current period	Preceding year
	30.9.2021	corresponding
	RM'000	period
		30.9.2020
		RM'000
Cash flows from operating activities		
Profit before tax	1,545	22,190
Adjustments for:		
Amortisation of customer relationships	99	99
Amortisation of development costs	8	8
Amortisation of government grant	(68)	(40)
Changes in fair value of other investments	2,273	678
Depreciation	2,646	2,865
Fair value changes on biological assets	(571)	(228)
Finance costs	255	275
Finance income	(221)	(299)
Gain on disposal of gold royalty	-	(21,664)
Provision for warranties (net)	14	22
Unrealised foreign exchange (gain)/loss	(289)	234
Operating profit before working capital changes	5,692	4,140
Changes in working capital:		
Inventories	(11,404)	2,345
Contract assets	(730)	696
Receivables, deposits and prepayments	(2,646)	(4,808)
Payables and accruals	9,312	2,999
Cash generated from operations	224	5,372
Warranties paid	(9)	-
Taxation paid (net)	(424)	(673)
Net cash (used in)/generated from operating activities	(209)	4,699



Condensed unaudited consolidated statement of cash flows for the financial period ended 30 September 2021
(continued)

	Current period	Preceding year
	30.9.2021	corresponding
	RM'000	period
		30.9.2020
		RM'000
Cash flows from investing activities		
Exploration and evaluation expenditure incurred	(572)	(154)
Interest received	221	299
Withdrawal of long tenure fixed deposits	-	3,000
Proceeds from disposal of other investments	2,513	-
Proceeds from disposal of gold royalty	-	5,591
Purchase of property, plant and equipment	(1,085)	(131)
Net cash generated from investing activities	<u>1,077</u>	<u>8,605</u>
Cash flows from financing activities		
Interest paid	(255)	(275)
Repayment of bank borrowings – net	(1,183)	(861)
Net cash used in financing activities	<u>(1,438)</u>	<u>(1,136)</u>
Net (decrease)/increase in cash and cash equivalents	(570)	12,168
Effect of foreign exchange fluctuation on cash and cash equivalents	408	(2,675)
Cash and cash equivalents at beginning of period	72,973	52,713
Cash and cash equivalents at end of period	<u>72,811</u>	<u>62,206</u>
	As at	As at
	30.9.2021	30.9.2020
	RM'000	RM'000
Cash and bank balances	29,693	33,364
Short term placement funds	14,335	13,842
Deposits with licensed banks	28,783	15,000
	<u>72,811</u>	<u>62,206</u>

(The condensed unaudited consolidated statement of cash flows should be read in conjunction with the Annual Report for the year ended 30 June 2021)

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 2021.

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 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*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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, interpretations and amendments:

- 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 2021.

A7. Dividends

The Company has on 26 November 2021, paid a dividend of 3 sen per share, totalling RM8.1 million, in respect of the financial year ended 30 June 2021.

The Board does not recommend any dividend for the financial period ended 30 September 2021.

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 2021 were as follows:

	RM'000
In respect of:	
- Property, plant and equipment	<u>2,347</u>

A11. Contingent liabilities/assets

As at 30 September 2021, the Company had executed corporate guarantees in favour of licensed financial institutions of up to a limit of RM30.9 million for credit facilities granted to subsidiaries. Out of the total banking facilities secured by corporate guarantees by the Company, a total of RM11.2 million was outstanding at the period end; and

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 2021.

A13. Segmental information

Analysis by business segments being the primary basis of the Group's segmental reporting for the financial period ended 30 September 2021 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	31,984	-	2,705	-	-	34,689
Inter-segment revenue	-	-	-	331	(331)	-
Total revenue	<u>31,984</u>	<u>-</u>	<u>2,705</u>	<u>331</u>	<u>-</u>	<u>34,689</u>
Segment profit/(loss)						
	<u>3,120</u>	<u>(2,717)</u>	<u>1,566</u>	<u>(600)</u>	<u>176</u>	<u>1,545</u>
Segment assets						
Customer relationships	183,390	124,416	47,303	79,001	(60,286)	373,824
Goodwill on consolidation						4,637
Consolidated total assets						<u>22,181</u>
						<u>400,642</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 unconventional gas i.e. coal bed methane but has not commenced commercial production yet.

The Group’s revenue for the current quarter decreased from RM36.3 million in the preceding year corresponding quarter to RM34.7 million due to a decline of RM9.5 million in the revenue from the Automotive division. The decline is a result of the full lockdown imposed under Phase 1 of the National Recovery Plan in Klang Valley which commenced on 1 June 2021 and ended on 17 August 2021. However, the PMST division within the IMS segment registered an increase of RM6.7 million in its revenue on the back of improved demand. The Resources segment too registered an increase in its revenue of RM1.1 million due to the increase in FFB prices.

Based on the Group’s effective share, included in the current quarter and preceding year corresponding quarter net profits, was a fair value loss on other investments and gain on disposal of gold royalty of RM1.2 million and RM11.2 million respectively registered by the Energy segment. Excluding these items, the Group registered a turnaround in its bottom line from a net loss of RM0.5 million to a net profit of RM2.6 million. Despite the decrease in IMS segment’s revenue, its net profit increased by 38% from RM1.9 million to RM2.7 million. This was attributable to the increase in net profit from the PMST division, due to its higher revenue and better profit margin. In tandem with the decline in its revenue, the Automotive division registered a net loss of RM0.5 million for the current quarter versus a net profit of RM0.2 million for the preceding year corresponding quarter. The Resources segment turn in a net profit of RM0.8 million vis-à-vis a net loss of RM1.3 million due mainly to its higher revenue.

As at 30 September 2021, the Group’s cash and cash equivalents remained at RM73.0 million (30 June 2021: RM73.0 million). The Group recorded a net cash outflow of RM0.6 million for the current quarter versus a net cash inflow of RM12.2 million for the preceding year corresponding quarter. The higher net cash inflow for the preceding year corresponding quarter was mainly due to the proceeds from the disposal of gold royalty amounting to RM5.6 million. Comparing 30 September 2021 with 30 June 2021, the Group’s net assets per share has increased from RM0.95 to RM0.96 whilst the gearing remained low at 0.06 times. Current ratio of the Group decreased from 1.96 times to 1.86 times.

B2. Material changes from the preceding quarter

Comparing quarter on quarter, the Group’s revenue decreased by RM3.1 million or 8%, from RM37.8 million to RM34.7 million due to the IMS segment registering a decrease in its revenue from RM35.3 million to RM32.0 million, attributable mainly to a longer lockdown period of 2 months in the current quarter versus a lock down period of 1 month in the previous quarter, which affected mainly the Automotive division. As such, the Automotive division’s revenue fell by RM4 million, from RM9.8 million to RM5.7 million quarter on quarter. Whereas, the PMST division registered a marginal increase of RM0.8 million in its revenue. The Resource segment’s revenue, however increased marginally from RM2.6 million to RM2.7 million.

In the previous quarter, the Automotive division registered a gain on disposal of its joint-venture of RM1.0 million and gain on disposal of one of its factory buildings of RM2.2 million. Excluding these

items and the fair value loss on other investments for the current quarter of RM1.2 million (Group's effective share) as mentioned in Note B1 above, despite the decrease in revenue, the Group recorded an increase in its normalised net profit from RM1.8 million to RM2.6 million quarter on quarter. This was achieved with the IMS segment recording an increase of RM1.7 million in its net profit on a normalised basis, contributed by the increase in the net profit (in line with the increase in its revenue and better profit margin) from the PMST division. This increase was partially offset by the marginal increase of RM76,000 in the net loss from the Automotive division from RM0.4 million to RM0.5 million quarter on quarter. The net profit from the Resources segment was consistent at about RM0.8 million quarter on quarter.

B3. Prospects

Although Malaysia is currently relaxing restrictions and all states are gradually progressing into Phase 4 of the National Recovery Plan, the Group's businesses remain vigilant of its costs and sustainability whilst adhering to all the necessary standard operating procedures to mitigate the impact of the Covid-19 pandemic.

On a positive note, demand from new projects is fast growing and the PMST division will continue to gradually increase its capacity and revenue over time from its new 56,000 square feet facility in Bukit Minyak, Penang.

The prospects for the Automotive division will improve moving forward, premised on below:

- i) incentives given by the Government to spur growth and encourage spending such as the PEMERKASA Plus plan where car buyers will enjoy sales tax exemption until the end of June 2022;
- ii) acceleration in vaccination will spur economic recovery in 2022;
- iii) low interest rate car loans, accommodative financing packages and aggressive promotional campaigns; and
- iv) introduction of new models with latest designs and specifications at very competitive prices.

On 17 June 2021, the Energy segment achieved a major milestone as the Indonesian Ministry of Energy and Mineral Resources ("MEMR") has approved the Energy segment's first plan of development ("POD") for the Tanjung Enim production sharing contract ("PSC") under a gross split scheme (referred to as Tanjung Enim POD I) in South Sumatra which will allow the PSC to proceed to field development and surface facility construction. The approval of the Tanjung Enim POD I also represents the first coal bed methane ("CBM") POD in Indonesia. The Tanjung Enim POD I approval covers the development of 209 wells in two target areas, in the north and south of the contract area covering ~33km² (or 13% of the total acreage of the Tanjung Enim Gross Split PSC) where the Indonesia Research and Development Center for Oil and Gas Technology ("LEMIGAS") has confirmed and certified reserves totalling ~164.89 Bscf in these areas. With the Tanjung Enim POD I approval, the Energy segment can negotiate commercial terms for gas sales with interested parties.

Moving forward, the Energy segment's overall long-term strategy is to integrate its South Sumatra PSCs, comprised of its Tanjung Enim PSC, Muara Enim PSC, Muralim PSC and Muara Enim II PSC and develop a large scale CBM supply.

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:

	RM'000
Income tax expense	
Malaysia - current year	107
Overseas - current	1,043
	<u>1,150</u>
Deferred tax expense	
Malaysia - current year	(31)
Overseas – current year	140
	<u>140</u>
Total tax expense	<u>1,259</u>

The effective tax rate of the Group for the current quarter and period is higher than the statutory tax rate due mainly to the losses (which includes the fair value loss on other investment) incurred by the Energy segment.

B7. Borrowings

The Group's borrowings as at 30 September 2021 were all secured. The borrowings denominated in foreign currency and RM as at 30 September 2021 were as follows:

	RM'000
Foreign Currency:	
- IDR53,795,527@ IDR:RM of 3,413:1	16
RM	14,374
	<u>14,374</u>
Total Group Borrowings	<u>14,390</u>

Foreign currency:
IDR Indonesian Rupiah

B8. Material litigation

There is no material litigation as at the date of this report.

B9. 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:

Profit attributable to owners of the Company (RM'000)	1,358
Weighted average number of ordinary shares ('000)	<u>269,087</u>
Basic earnings per share (sen)	<u>0.505</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.

B10. Exploration and development expenditure/activities

The exploration assets/expenditure incurred during the period as follow:

	RM'000
Carrying amount	
At 1 July 2021	103,479
Effect of movements in exchange rates	1,328
Additions	<u>572</u>
At 30 September 2021	<u>105,379</u>

In respect of the POD I of the Tanjung Enim PSC, the Energy segment has advanced its discussions and negotiations on future gas sales with PT Pertamina Gas, that is expected to culminate in a formal gas sales agreement between the two parties. The Energy segment has also embarked on the necessary environmental impact studies (also known as AMDAL or Analisis Manajemen Dampak Lingkungan in Indonesia) and Front-End Engineering Design ("FEED") studies by selecting and reviewing proposals from qualified vendors and consultants.

The dewatering process in the Muralim PSC was temporarily suspended pending the necessary permit(s) being issued by Ministry of Environment of Indonesia, based on the latest revised environmental regulation issued in September 2021. It is anticipated the necessary permits will be issued soon and operations can resume thereafter.

B11. 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 30.9.2021 RM'000	Preceding year corresponding quarter 30.9.2020 RM'000	Current period 30.9.2021 RM'000	Preceding year corresponding period 30.9.2020 RM'000
Amortisation of customer relationships	(99)	(99)	(99)	(99)
Amortisation of development costs	(8)	(8)	(8)	(8)
Amortisation of government grant	68	40	68	40
Changes in fair value of other investments	(2,273)	(678)	(2,273)	(678)
Depreciation	(2,646)	(2,865)	(2,646)	(2,865)
Fair value changes on biological assets	571	228	571	228
Foreign exchange gain/(loss)	315	(234)	289	(234)
Gain on disposal of gold royalty	-	21,664	-	21,664
Provision for warranties (net)	(14)	(22)	(14)	(22)
Rental income	3	3	3	3