GLOBALTEC FORMATION BERHAD

(Incorporated in Malaysia)

Reg. No. 201101024895 (953031-A)

SECOND QUARTERLY REPORT
FINANCIAL YEAR 2023

HIGHLIGHTS

- **The Group records net profit of RM3.0 million for the current quarter**
- **Dividend for financial year 2022 of RM4.8 million paid in the current quarter**
- **Cash/Cash equivalents at RM60.3 million**
- **Net assets at RM268 million**
- **Gearing remained healthy at 0.03 times**

Condensed unaudited consolidated statement of profit or loss and other comprehensive income for the financial period ended 31 December 2022

	Current quarter 31.12.2022 RM'000	Preceding year corresponding quarter 31.12.2021 RM'000	Current period 31.12.2022 RM'000	Preceding year corresponding period 31.12.2021 RM'000
Revenue	56,270	53,141	108,658	87,830
Cost of sales	(43,361)	(37,900)	(84,047)	(62,200)
Gross profit	12,909	15,241	24,611	25,630
Other operating expenses	(8,571)	(7,351)	(18,184)	(16,574)
Other operating income	134	28	1,925	441
Results from operating activities	4,472	7,918	8,352	9,497
Finance income	86	56	240	277
Finance costs	(98)	(449)	(446)	(704)
Share of profit of associate	220	-	263	-
Profit before tax	4,680	7,525	8,409	9,070
Tax expense	(1,777)	(2,177)	(2,647)	(3,436)
Profit for the period	2,903	5,348	5,762	5,634
Other comprehensive (expense)/income, net of tax				
Foreign currency translation differences for foreign operations	(7,975)	(406)	(1,719)	1,018
Total comprehensive (expense)/income for the period	(5,072)	4,942	4,043	6,652
Profit/(Loss) attributable to:				
Owners of the Company	3,037	5,155	6,066	6,513
Non-controlling interests	(134)	193	(304)	(879)
Profit for the period	2,903	5,348	5,762	5,634
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(3,344)	4,709	3,932	7,227
Non-controlling interests	(1,728)	233	111	(575)
Total comprehensive (expense)/income for the period	(5,072)	4,942	4,043	6,652
Basic earnings per ordinary share (sen)	1.128	1.916	2.254	2.420
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 2022)

Condensed unaudited consolidated statement of financial position as at 31 December 2022

	As at 31.12.2022 RM'000	Audited 30.6.2022 RM'000
Non-current assets		
Property, plant and equipment	59,607	61,322
Right-of-use assets	29,637	31,342
Exploration and evaluation assets	116,810	114,553
Other investments	53	53
Other financial assets	1,832	2,215
Investment property	13,605	13,605
Intangible assets	26,373	26,588
Investment in associate	20,263	-
Total non-current assets	268,180	249,678
Current assets		
Biological assets	540	1,398
Receivables, deposits and prepayments	31,122	27,998
Inventories	32,879	34,784
Contract assets	7,395	6,939
Other investments	2,633	2,915
Current tax assets	702	791
Cash and cash equivalents	60,255	81,742
Total current assets	135,526	156,567
TOTAL ASSETS	403,706	406,245
Equity attributable to owners of the Company		
Share capital	643,671	643,671
Business combination deficit	(157,064)	(157,064)
Reserves	(218,351)	(217,439)
	268,256	269,168
Non-controlling interests	45,842	45,731
Total equity	314,098	314,899
Long term and deferred liabilities		
Borrowings	1,355	1,550
Lease liabilities	963	717
Deferred income	1,466	1,602
Deferred tax liabilities	10,226	10,111
Total long term and deferred liabilities	14,010	13,980
Current liabilities		
Payables and accruals	41,420	39,847
Lease liabilities	682	1,106
Tax liabilities	1,375	1,841
Deferred income	271	271
Provisions	27,108	27,199
Borrowings	4,742	7,102
Total current liabilities	75,598	77,366
Total liabilities	89,608	91,346
TOTAL EQUITY AND LIABILITIES	403,706	406,245
Net assets per share attributable to owners of the Company (RM)	0.997	1.000

(The condensed unaudited consolidated statement of financial position should be read in conjunction with the Annual Report for the year ended 30 June 2022)

Condensed unaudited consolidated statement of changes in equity for the financial period ended 31 December 2022

	← Attributable to owners of the Company					→		
	Share capital	**Foreign currency translation reserve**	**Fair value adjustment reserve**	**Business combination deficit**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 July 2022	643,671	4,028	(44,479)	(157,064)	(176,988)	269,168	45,731	314,899
Total comprehensive (expense)/income for the period	-	(2,134)	-	-	6,066	3,932	111	4,043
Dividend paid to owners of the Company	-	-	-	-	(4,844)	(4,844)	-	(4,844)
At 31 December 2022	643,671	1,894	(44,479)	(157,064)	(175,766)	268,256	45,842	314,098

	← Attributable to owners of the Company					→		
	Share capital	**Foreign currency translation reserve**	**Fair value adjustment reserve**	**Business combination deficit**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
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	-	714	-	-	6,513	7,227	(575)	6,652
Shares issued on conversion of the Company's warrants	24	-	-	-	-	24	-	24
Dividend paid to owners of the Company	-	-	-	-	(8,073)	(8,073)	-	(8,073)
At 31 December 2021	643,671	(130)	(44,479)	(157,064)	(187,045)	254,953	44,265	299,218

(The condensed unaudited consolidated statement of changes in equity should be read in conjunction with the Annual Report for the year ended 30 June 2022)

Condensed unaudited consolidated statement of cash flows for the financial period ended 31 December 2022

	Current period 31.12.2022 RM'000	Preceding year corresponding period 31.12.2021 RM'000
Cash flows from operating activities		
Profit before tax	8,409	9,070
Adjustments for:		
Amortisation of customer relationships	197	197
Amortisation of development costs	17	17
Amortisation of government grant	(136)	(136)
Changes in fair value of other investments	249	2,032
Depreciation	4,632	5,237
Fair value changes on biological assets	857	(587)
Finance costs	446	704
Finance income	(240)	(277)
Property, plant and equipment written off	-	18
Provision for warranties (net)	53	34
Share of profit of associate	(263)	-
Unrealised foreign exchange loss/(gain)	295	(128)
Operating profit before working capital changes	14,516	16,181
Changes in working capital:		
Contract assets	(456)	(3,427)
Inventories	1,462	(6,031)
Payables and accruals	1,942	3,729
Receivables, deposits and prepayments	(3,640)	(6,722)
Cash generated from operations	13,824	3,730
Warranties paid	(66)	(33)
Taxation paid (net)	(2,869)	(1,168)
Net cash generated from operating activities	10,889	2,529

Condensed unaudited consolidated statement of cash flows for the financial year period 31 December 2022 (continued)

	Current period 31.12.2022 RM'000	Preceding year corresponding period 31.12.2021 RM'000
Cash flows from investing activities		
Exploration and evaluation expenditure incurred	(2,612)	(1,010)
Interest received	240	277
Proceeds from disposal of other investments	-	6,754
Purchase of property, plant and equipment	(909)	(3,987)
Subscription of an associate	(20,000)	-
Net cash (used in)/generated from investing activities	(23,281)	2,034
Cash flows from financing activities		
Dividends paid to shareholders	(4,844)	(8,073)
Interest paid	(446)	(704)
Procceds from conversion of Company's warrants	-	24
Repayment of bank borrowings – net	(3,444)	(3,647)
Net cash used in financing activities	(8,734)	(12,400)
Net decrease in cash and cash equivalents	(21,126)	(7,837)
Cash and cash equivalents at beginning of period	81,742	72,973
Effect of foreign exchange fluctuation on cash and cash equivalents	(361)	(4)
Cash and cash equivalents at end of period	60,255	65,134

	As at 31.12.2022 RM'000	As at 31.12.2021 RM'000
Cash and bank balances	34,831	26,464
Short term placement funds	16,550	29,821
Deposits with licensed banks	8,874	8,849
	60,255	65,134

(The condensed unaudited consolidated statement of cash flows should be read in conjunction with the Annual Report for the year ended 30 June 2022)

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 2022.

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 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- 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 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 and Amendments to MFRS 17, which are 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 31 December 2022.

A7. Dividends

The Company has on 21 November 2022, paid a dividend of 1.8 sen per share, totalling RM4.8 million, in respect of the financial year ended 30 June 2022.

The Board does not recommend any dividend for the financial period ended 31 December 2022.

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

Save as disclosed below, there were no material changes in the Group structure for the financial period and up to the date of this report.

On 19 September 2022, the Company had completed its subscription for a 45% equity interest of the enlarged share capital of Metta Food & Lifestyle Sdn Bhd ("Metta"). Metta and its subsidiaries ("Metta Group") is principally involved in the food and beverage ("F&B") retail industry, operating banquet-themed restaurants and cafes with the branding of De.Wan 1958 by Chef Wan ("De.Wan 1958") and Cafe Chef Wan respectively. Metta Group is now associated companies of the Group.

A10. Capital commitments

Contracted but not provided for capital commitments as at 31 December 2022 were as follows:

	RM'000
In respect of:	
- Property, plant and equipment	5,033
- Exploration and development	1,141
Total	6,174

A11. Contingent liabilities/assets

As at 31 December 2022, the Company had executed corporate guarantees in favour of licensed financial institutions of up to a limit of RM22.7 million for credit facilities granted to subsidiaries. Out of the total banking facilities secured by corporate guarantees by the Company, a total of RM5.5 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 31 December 2022.

A13. Segmental information

Analysis by business segments being the primary basis of the Group's segmental reporting for the financial period ended 31 December 2022 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	104,203	-	4,455	-	-	108,658
Inter-segment revenue	-	-	-	1,020	(1,020)	-
Total revenue	104,203	-	4,455	1,020		108,658
Segment profit/(loss)	10,613	(1,245)	(329)	(1,563)	670	8,146
Share of profit of associate						263
Consolidated profit before tax						8,409
Segment assets	190,205	128,984	43,118	64,403	(69,592)	357,118
Investment in associate						20,263
Customer relationships						4,144
Goodwill on consolidation						22,181
Consolidated total assets						403,706

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 division"); and
ii) automotive components design and manufacturing ("Automotive division").

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 ("CBM") but has not commenced commercial production yet. The associate that the Group subscribed into during the previous quarter, as mentioned in Note A9, is involved in the F&B retail industry. The Group equity accounts the results of this associate commencing from middle of September 2022 and the share of profit amounted to RM220,000 and RM263,000 for the current quarter and current period respectively.

The Group's revenue for the current quarter increased from RM53.1 million in the preceding year corresponding quarter to RM56.3 million, underpinned by an increase in the revenue from the IMS segment. The revenue from IMS segment moved up RM4.0 million, from RM50.0 million to RM54.0 million, attributable to improving overall demand, and in the preceding year corresponding quarter, the Automotive division was affected by disruptions in the supply chain of the automotive industry caused by a major flood in Selangor. In addition, the surge in demand to purchase automotive vehicles in Malaysia before the expiry of the sales and service tax ("SST") exemption by end of June 2022 as well as the allowance by the Malaysian Government for buyers to enjoy the SST exemption, as long as their cars which are booked by 30 June 2022, are delivered and registered by 31 March 2023 had augured well for the Automotive division. The revenue from the PMST division also increased by RM1.0 million, riding on improved demand. The Resources segment's revenue decline from RM3.1 million in the preceding year corresponding quarter to RM2.6 million due mainly to a decrease in FFB prices but was offset partially by an increase in FFB production.

The Group's net profit have decreased from RM5.2 million in the preceding year corresponding quarter to RM3.0 million for the current quarter. This was due mainly to a decrease in the results from both the IMS and Resources segments. The IMS segment's net profit decreased from RM5.7 million to RM3.6 million due mainly to unfavourable product mix, foreign exchange losses and higher material costs (arising from supply chain disruptions.. In line with its lower revenue, the Resources segment registered a net loss of RM37,000 versus a net profit of RM0.5 million.

Financial position analysis

During the current period, due mainly to the subscription payment of RM20 million into an associate, as mentioned in Note A9 above and a dividend payment of RM4.8 million to owners of the Company, the Group's cash and cash equivalents reduced from RM81.7 million as at last financial year end, to RM60.3 million as at 31 December 2022. The Group's net operating cash inflow increased to RM10.9 million in current financial period versus RM2.5 million in the preceding year corresponding period. Comparing as at 31 December 2022 with as at 30 June 2022, the Group's net assets per share has decreased marginally from RM1.00 to RM0.99 due to the abovementioned dividend payment and foreign currency translation net losses on foreign subsidiaries for the period. whilst the gearing continues to decrease from 0.04 times to 0.03 times.

B2. Material changes from the preceding quarter

Comparing quarter on quarter, the Group's revenue increased from RM52.4 million to RM56.3 million, due to an increase in revenue from both the IMS and Resources segments. The IMS segment recorded an increase in revenue totalling RM3.8 million on the back of all the IMS divisions registering higher revenue. The Automotive division's revenue jumped by RM2.3 million due to continuing high delivery of vehicles during the current quarter. The PMST division registered an increase of RM1.5 million quarter on quarter in its revenue to register a revenue of RM32.4 million for the current quarter on the back of improved demand. The Resources segment's revenue has marginally increased from RM2.2 million to RM2.3 million due mainly to an increase in FFB production but was offset partially by a drop in FFB price.

The Group's net profit was relatively consistent at RM3.0 million quarter on quarter. The IMS segment however, registered a decrease of RM1.0 million in its net profit due to a decline in the net profit of RM1.2 million from the PMST division, which was attributable to foreign exchange losses, unfavourable product mix and higher labour costs. The Automotive division however, in tandem with its higher revenue, recorded an increase of RM0.2 million in its net profit. The net loss from the Resources segment narrowed from RM0.7 million to RM37,000, in line with the increase in its revenue and favourable fair vale changes on biological assets.

B3. Prospects

Global growth continued to moderate and slow as a result of a slowdown in growth in major economies whilst ongoing military conflict and geo-political tensions continues to contribute to supply chain disruptions and higher inflation globally. Nevertheless, China's decision to reopen its borders commencing early January 2023, is a significant positive boost for the Malaysian economy, at a time when domestic economic activities are projected to slow down amid rising global recessionary fears.

Taking cognisance of the above, the Group's businesses remain vigilant of its costs and sustainability to mitigate the impact of slower growth and demand.

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.

Although the vehicle sales tax exemption has ended on 30 June 2022, buyers who booked their vehicles during the tax holiday period have until 31 March 2023, to register their vehicles with the Road Transport Department of Malaysia. Hence, prospects for the Automotive division remain positive as the many vehicles booked during the tax holiday period but delivered or will be delivered after 30 June 2022, so long as before 31 March 2023, is entitled to the sales tax exemption. New innovative models launch and competitive pricing is expected to continue to drive the demand for automotive sales.

In addition, the Group looks forward to further profit contribution from the new associate that is involved in the F&B retail industry, as the F&B retail industry in Malaysia continue to grow, whilst the associate continue to expand its number of outlets, that will be open for business by first half of 2023. Comparing from the date of the Group's venture in mid-September 2022, the number of outlets has doubled from 4 to 8 outlets as at the date of this report.

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 1) in South Sumatra which will allow the PSC to proceed to field development and surface facility construction. The approval of the Tanjung Enim POD 1 also represents the first CBM POD in Indonesia. The Tanjung Enim POD 1 approval covers the development of 209 wells in two target areas, in the north and south of the contract area covering ~33km^2 (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 1 approval, the Energy segment can negotiate commercial terms for gas sales with interested parties. The POD 1 implementation will be carried out in stages with the objective to achieve early gas sales by targeting the underserved market within South Sumatra which would help the industry in the vicinity to gradually migrate from using non-environmental friendly fuel to clean energy.

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. Borrowings

The Group's borrowings as at 31 December 2022 were all secured. The borrowings denominated in foreign currency and RM as at 31 December 2022 were as follows:

	RM'000
Foreign Currency:	
- IDR472,299,698@ IDR:RM of 3,546:1	133
RM	7,609
Total Group Borrowings	7,742

B7. Taxation

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

	Current quarter 31.12.2022 RM'000	**Financial period 31.12.2022 RM'000**
Income tax expense		
Malaysia - current year	925	1,565
Overseas - current	506	964
	1,431	2,529
Deferred tax expense		
Malaysia - current year	346	118
Total tax expense	1,777	2,647

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 net losses incurred by the Energy, Resources and Investment Holding segments.

B8. Material litigation

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

B9. Status of memorandum of understanding

The Company had on 29 March 2022, entered into a memorandum of understanding ("MOU") with Sabah Oil & Gas Development Corporation Sdn Bhd ("SOGDC") and Sisma Energy Sdn Bhd to discuss and collaborate for the purpose of the development of gas facilities and infrastructure on certain parcels of land belonging to SOGDC, located at Sipitang Oil and Gas Industrial Park in Megalong, district of Sipitang, Sabah. In accordance to the MOU, GFB is to supply gas to the project. Discussions are still ongoing 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 was computed as follows:

	Current quarter	**Current period**
Profit attributable to owners of the Company (RM'000)	3,037	6,066
Weighted average number of ordinary shares ('000)	269,120	269,120
Basic earnings per share (sen)	1.128	2.254

Diluted earnings per share
Diluted earnings per share for the current quarter and financial period are not applicable as there are no dilutive instruments as at period end.

B11. Exploration and development expenditure/activities

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

	RM'000
Carrying amount	
At 1 July 2022	114,553
Effect of movements in exchange rates	(355)
Additions	2,612
At 31 December 2022	116,810

Tanjung Enim PSC

The Energy segment continued to focus on executing its POD 1 implementation. The implementation will be carried out in stages with the objective to achieve early gas sales. The Energy segment's initial gas sales are targeting the underserved market within South Sumatra which would help the industry in the vicinity to gradually migrate from using non-environmental friendly fuel to clean energy. The activities for the period included discussions and/or field visits with several parties comprising the Indonesian Special Task Force for Upstream Oil and Gas Business Activities ("SKK Migas"), MEMR, several gas gathering facility providers, mid-stream players such as compressed natural gas ("CNG") providers and potential gas buyers. In addition, the Energy segment had conducted on-site inspections of the gas gathering and CNG facilities which are ready for deployment. The Energy segment received collective support on 14 October 2022, from SKK Migas, the Directorate General of Oil and Gas ("Dirjen Migas") and MEMR to implement early gas sales. Representatives from Dirjen Migas also conducted a field visit to the Tanjung Enim's proposed well sites for the early gas sales, on the week beginning 17 October 2022. The Energy segment had on 10 February 2023, signed a Heads of Agreement ("HOA") with PT Laras Ngarso Gede ("PT LARAS ENERGY"). The HOA whose salient terms and conditions shall eventually progress and be incorporated into a comprehensive Gas Sale and Purchase Agreement ("GSPA"), covers the supply and sale commitment by the Energy segment and the purchase commitment by PT LARAS ENERGY, of CBM produced from the Tanjung Enim PSC. The HOA shall be effective from 10 February 2023 up to the date the GSPA is executed or 9 August 2023, whichever comes first. The Energy segment and PT LARAS ENERGY are expecting to execute the GSPA in the second quarter of 2023. Under the HOA, the Energy segment targets to commence the sale and delivery of CBM to PT LARAS ENERGY on 1 October 2023 or a date mutually agreed by all parties, and until the total contracted volume of CBM of 1.49 bscf has been fully delivered, whichever is earlier. The GSPA, which shall be for a period of 5 years may be extended by mutual agreement in writing. PT LARAS ENERGY, upon receiving the CBM from the Energy segment, will then compress the CBM into CNG and/or liquefied natural gas, and transport it to the end-user. This initial phase of gas sale is estimated at 1 million standard cubic feet per day ("MMSCFD") of CBM. This gas sale of 1 MMSCFD represents the initial and gradual progress in achieving the 25 MMSCFD of gas production as approved under the Tanjung Enim POD-1.

The Ministry of Environment and Forestry issued a letter on 5 October 2022 to the Energy segment in relation to the Energy segment's submission to the Ministry on 7 July 2022 on the proposed Kerangka Acuan (Detailed framework and Workscope) for the required environmental impact studies, which granted the Energy segment the approval to proceed with submitting the required three technical documents relating to environmental impact studies, in stages. The Energy segment has to-date submitted all the three technical reports namely air emission, waste storage management and waste water disposal. The Energy segment has received the approval on the first of the three technical reports, the air emission technical report, on 17 November 2022. The completed and compiled full environmental impact studies report was submitted to the Ministry of Environment and Forestry on 22 December 2022. The Energy segment expects to receive all the required approvals in respect of the environmental impact study, by the first quarter of 2023.

The Energy segment has finalised the consultant for the front-end engineering design ("FEED") study in December 2022. As the FEED study relates to the construction of the gas gathering and pipeline facilities for the full 25 MMSCFD of gas production, as provided under the POD 1, and that the early gas sales initiative will not require such facilities, the commencement or completion of the FEED study will not affect the progress of the early gas sales initiative.

The Energy segment has also finalised the location of the proposed wells and also completed the drilling program and conducted several technical discussions with service and equipment providers such as drilling contractors, completion, and production services in relation to the early gas sales initiative.

Muralim PSC

The Energy segment has recommenced the dewatering process to determine its gas production data. The water production, however is higher than earlier expected and this has slowed the progress to complete the dewatering process. Upon collecting sufficient gas productivity data from the dewatering process, the Energy segment shall proceed with reserve certification to fulfill the POD submission requirements. The Energy segment had on the 19 July 2022 received the approval from MEMR, for an additional 12 months exploration period from the approval date of 19 July 2022.

Muara Enim II

The Energy segment has obtained approval for an additional exploration period of 24 months until 29 January 2025 to complete the exploration firm commitments for the Muara Enim II PSC. The additional exploration period shall be used to gather gas production data in order to proceed with reserves certification to fulfill the POD submission requirements. This will enable the Muara Enim II PSC to migrate from exploration to development status.

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

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

	Current quarter 31.12.2022 RM'000	Preceding year corresponding quarter 31.12.2021 RM'000	Current period 31.12.2022 RM'000	Preceding year corresponding period 31.12.2021 RM'000
Amortisation of customer relationships	(98)	(99)	(197)	(197)
Amortisation of development costs	(9)	(9)	(17)	(17)
Amortisation of government grant	68	68	136	136
Changes in fair value of other investments	305	241	(249)	(2,032)
Depreciation	(2,237)	(2,591)	(4,632)	(5,237)
Fair value changes on biological assets	75	16	(857)	587
Foreign exchange (loss)/gain	(1,697)	(215)	140	73
Property, plant and equipment written off	-	(18)	-	(18)
Provision for warranties (net)	(35)	(20)	(53)	(34)
Rental income	3	3	6	6