GLOBALTEC FORMATION BERHAD

(Incorporated in Malaysia)

Reg. No. 201101024895 (953031-A)

THIRD QUARTERLY REPORT FINANCIAL YEAR 2023

HIGHLIGHTS

- **The Group records net profit of RM1.7 million and RM7.8 million for the current quarter and current period (9 months) respectively**
- **Cash/Cash equivalents at RM56.8 million**
- **Net assets increased to RM272 million**
- **Net assets per share increased to RM1.01**
- **Gearing remained healthy at 0.04 times**

Condensed unaudited consolidated statement of profit or loss and other comprehensive income for the financial period ended 31 March 2023

	Current quarter 31.3.2023 RM'000	Preceding year corresponding quarter 31.3.2022 RM'000	Current period 31.3.2023 RM'000	Preceding year corresponding period 31.3.2022 RM'000
Revenue	52,943	47,555	161,601	135,385
Cost of sales	(41,879)	(35,972)	(125,926)	(98,172)
Gross profit	11,064	11,583	35,675	37,213
Other operating expenses	(8,351)	(7,851)	(26,535)	(24,601)
Other operating income	274	1,621	2,199	2,062
Results from operating activities	2,987	5,353	11,339	14,674
Finance income	140	84	380	361
Finance costs	(141)	(127)	(587)	(655)
Share of (loss)/profit of associate	(22)	-	241	-
Profit before tax	2,964	5,310	11,373	14,380
Tax expense	(1,213)	(325)	(3,860)	(3,761)
Profit for the period	1,751	4,985	7,513	10,619
Other comprehensive income/(expense), net of tax				
Foreign currency translation differences for foreign operations	1,533	695	(186)	1,713
Total comprehensive income for the period	3,284	5,680	7,327	12,332
Profit/(Loss) attributable to:				
Owners of the Company	1,743	5,248	7,809	11,761
Non-controlling interests	8	(263)	(296)	(1,142)
Profit for the period	1,751	4,985	7,513	10,619
Total comprehensive income/(expense) attributable to:				
Owners of the Company	3,601	6,084	7,533	13,311
Non-controlling interests	(317)	(404)	(206)	(979)
Total comprehensive income for the period	3,284	5,680	7,327	12,332
Basic earnings per ordinary share (sen)	0.648	1.950	2.902	4.370
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 March 2023

	As at 31.3.2023 RM'000	Audited 30.6.2022 RM'000
Non-current assets		
Property, plant and equipment	61,501	61,322
Right-of-use assets	34,738	31,342
Exploration and evaluation assets	118,028	114,553
Other investments	53	53
Other financial assets	1,837	2,215
Investment property	13,605	13,605
Intangible assets	26,266	26,588
Investment in associate	20,241	-
Total non-current assets	276,269	249,678
Current assets		
Biological assets	523	1,398
Receivables, deposits and prepayments	29,979	27,998
Inventories	35,644	34,784
Contract assets	5,838	6,939
Other investments	2,985	2,915
Current tax assets	810	791
Cash and cash equivalents	56,772	81,742
Total current assets	132,551	156,567
TOTAL ASSETS	408,820	406,245
Equity attributable to owners of the Company		
Share capital	643,671	643,671
Business combination deficit	(157,064)	(157,064)
Reserves	(214,750)	(217,439)
	271,857	269,168
Non-controlling interests	45,075	45,731
Total equity	316,932	314,899
Long term and deferred liabilities		
Borrowings	1,502	1,550
Lease liabilities	3,441	717
Deferred income	2,972	1,602
Deferred tax liabilities	10,407	10,111
Total long term and deferred liabilities	18,322	13,980
Current liabilities		
Payables and accruals	39,220	39,847
Lease liabilities	2,050	1,106
Tax liabilities	320	1,841
Deferred income	271	271
Provisions	27,152	27,199
Borrowings	4,553	7,102
Total current liabilities	73,566	77,366
Total liabilities	91,888	91,346
TOTAL EQUITY AND LIABILITIES	408,820	406,245
Net assets per share attributable to owners of the Company (RM)	1.010	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 March 2023

	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	-	(276)	-	-	7,809	7,533	(206)	7,327
Dividend paid to owners of the Company	-	-	-	-	(4,844)	(4,844)	-	(4,844)
Dividend paid to Non-controlling interest by subsidiaries	-	-	-	-	-	-	(450)	(450)
At 31 March 2023	643,671	3,752	(44,479)	(157,064)	(174,023)	271,857	45,075	316,932

	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	-	1,550	-	-	11,761	13,311	(979)	12,332
Shares issued on conversion of the Company's warrants	24	-	-	-	-	24	-	24
De-registration of a subsidiary	-	-	-	-	(15)	(15)	15	-
Dividend paid to owners of the Company	-	-	-	-	(8,073)	(8,073)	-	(8,073)
At 31 March 2022	643,671	706	(44,479)	(157,064)	(181,812)	261,022	43,876	304,898

(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 March 2023

	Current period 31.3.2023 RM'000	Preceding year corresponding period 31.3.2022 RM'000
Cash flows from operating activities		
Profit before tax	11,373	14,380
Adjustments for:		
Amortisation of customer relationships	296	296
Amortisation of development costs	25	25
Amortisation of government grant	(226)	(203)
Changes in fair value of other investments	(130)	1,636
Depreciation	7,339	7,771
Fair value changes on biological assets	874	(865)
Finance costs	587	655
Finance income	(380)	(361)
Property, plant and equipment written off	-	18
Provision for warranties (net)	71	52
Share of profit of associate	(241)	-
Unrealised foreign exchange (gain)/loss	(275)	368
Operating profit before working capital changes	19,313	23,773
Changes in working capital:		
Contract assets	1,101	(3,011)
Inventories	(901)	(2,826)
Payables and accruals	(483)	(5,459)
Receivables, deposits and prepayments	(1,424)	(2,839)
Cash generated from operations	17,606	9,638
Warranties paid	(89)	(55)
Taxation paid (net)	(5,100)	(2,441)
Net cash generated from operating activities	12,417	7,142

Condensed unaudited consolidated statement of cash flows for the financial year period 31 March 2023 (continued)

	Current period 31.3.2023 RM'000	Preceding year corresponding period 31.3.2022 RM'000
Cash flows from investing activities		
Exploration and evaluation expenditure incurred	(3,347)	(1,699)
Interest received	380	361
Proceeds from disposal of other investments	-	8,648
Proceeds from disposal of property, plant and equipment	-	56
Purchase of property, plant and equipment	(5,745)	-
Withdrawal of long tenure fixed deposits	-	(4,958)
Subscription of an associate	(20,000)	-
Net cash (used in)/generated from investing activities	(28,712)	2,408
Cash flows from financing activities		
Dividends paid to shareholders	(4,844)	(8,073)
Dividends paid to Non-controlling interest in subsidiaries	(450)	-
Interest paid	(587)	(655)
Receipt of government grant	1,543	-
Withdrawal of pledged deposits with licensed banks	-	24
Repayment of bank borrowings – net	(4,129)	(4,904)
Net cash used in financing activities	(8,467)	(13,608)
Net decrease in cash and cash equivalents	(24,762)	(4,058)
Cash and cash equivalents at beginning of period	81,742	889
Effect of foreign exchange fluctuation on cash and cash equivalents	(208)	72,973
Cash and cash equivalents at end of period	56,772	69,804

	As at 31.3.2023 RM'000	As at 31.3.2022 RM'000
Cash and bank balances	33,045	35,020
Short term placement funds	5,997	13,218
Deposits with licensed banks	17,730	21,566
	56,772	69,804

(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 March 2023.

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 March 2023.

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 March 2023 were as follows:

	RM'000
In respect of:	
- Property, plant and equipment	1,660
- Exploration and development	8,949
Total	10,609

A11. Contingent liabilities/assets

As at 31 March 2023, 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 RM5.3 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 March 2023.

A13. Segmental information

Analysis by business segments being the primary basis of the Group's segmental reporting for the financial period ended 31 March 2023 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	155,129	-	6,472	-	-	161,601
Inter-segment revenue	-	-	-	1,525	(1,525)	-
Total revenue	155,129	-	6,472	1,525		161,601
Segment profit/(loss)	14,795	(1,454)	(413)	(2,171)	375	11,132
Share of profit of associate						241
Consolidated profit before tax						11,373
Segment assets	197,032	128,317	42,627	64,357	(69,980)	362,353
Investment in associate						20,241
Customer relationships						4,045
Goodwill on consolidation						22,181
Consolidated total assets						408,820

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 first quarter of the current financial year, 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 RM241,000 for the current period.

The Group's revenue for the current quarter increased from RM47.6 million in the preceding year corresponding quarter to RM52.9 million, underpinned by an increase in the revenue from the IMS segment. The revenue from IMS segment moved up RM6.3 million, from RM44.6 million to RM52.9 million, attributable mainly to 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, augured well for the Automotive division resulting in an increase of RM7.6 million in the Automotive division's revenue. The revenue from the PMST division however decreased by RM1.3 million, due to weakening demand as a result of its customers overstocking in the prior financial year. The Resources segment's revenue decline from RM2.9 million in the preceding year corresponding quarter to RM2.0 million due mainly to a decrease in FFB prices but was offset partially by an increase in FFB production.

The Group's net profit decreased from RM5.2 million in the preceding year corresponding quarter to RM1.7 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 RM5.4 million to RM3.3 million due mainly to higher material costs (arising from supply chain disruptions) and higher labour costs coupled with lower tax expenses in the preceding year corresponding quarter. In line with its lower revenue, the Resources segment registered a net loss of RM0.5 million 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 RM56.8 million as at 31 March 2023. The Group's net operating cash inflow increased to RM12.4 million in current financial period versus RM7.1 million in the preceding year corresponding period. Comparing as at 31 March 2023 with as at 30 June 2022, the Group's net assets per share has increased marginally from RM1.00 to RM1.01 whilst the gearing remains low at 0.04 times.

B2. Material changes from the preceding quarter

Comparing quarter on quarter, the Group's revenue decreased from RM56.3 million to RM52.9 million, due to a drop in both the IMS and Resources segments. The IMS segment recorded a decline in revenue totalling RM3.1 million as a result of the PMST division registering a decrease of RM3.4 million due to weakening demand amidst overstocking by its customers in the prior financial year. The Automotive division's revenue on the contrary increased marginally by RM0.3 million due to continuing high delivery of vehicles during the current quarter. The Resources segment's revenue decreased from RM2.3 million to RM2.0 million due mainly to a decrease in FFB production but was offset partially by an increase in FFB prices.

In tandem with the Group's revenue, the Group's net profit declined from RM3.0 million to RM1.7 million quarter on quarter. In line with their lower revenue, both the IMS and Resources segment recorded a decline in their results of RM0.3 million and RM0.4 million respectively. In addition, the IMS segment registered higher material and labour costs.

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. On the demand side, high inflation in both the United States of America ("USA") and Europe is already slowing consumer spending. Large conglomerates around the world are now into their second round of layoffs, which could indicate more pain in the coming quarters. On the cost side, raw material prices remain elevated although the prices have come down from its peak. In Malaysia, the increase in energy costs arising from the electricity tariff adjustments and mandatory wage and wage-related adjustments further exacerbate costs of production. Inventory levels, due to excessive build up in 2022, remain high and may take a longer period to digest, hence causing further deferment of expansion plans and uncertainty in spending. Not forgetting, the banking turmoil in the USA and Europe, a by-product of moves to combat inflation, may further stress the already fragile world economy.

The Malaysian automotive total industry volume for 2023 as compared to 2022, is expected to decline by 9.8% to 650,000 units due to factors such as the slowdown in the global economy and the expiry of the sales tax exemption for vehicle orders made prior to 30 June 2022 and registered by 31 March 2023. Nevertheless, the launching of new innovative models and competitive pricing may drive the demand for automotive sales.

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 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-environmentally 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 March 2023 were all secured. The borrowings denominated in foreign currency and RM as at 31 March 2023 were as follows:

	RM'000
Foreign Currency:	
- IDR422,504,830 @ IDR:RM of 3,390:1	125
RM	5,931
Total Group Borrowings	6,055

B7. Taxation

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

	Current quarter 31.3.2023 RM'000	Financial period 31.3.2023 RM'000
Income tax expense		
Malaysia - current year	656	2,221
Overseas - current	384	1,348
	1,040	3,569
Deferred tax expense		
Malaysia - current year	173	291
Total tax expense	1,213	3,860

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. 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)	1,743	7,809
Weighted average number of ordinary shares ('000)	269,120	269,120
Basic earnings per share (sen)	0.648	2.902

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 the 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 2022	114,553
Effect of movements in exchange rates	128
Additions	3,347
At 31 March 2023	118,028

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-environmentally 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") 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. 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 completed and compiled full environmental impact studies report was submitted to the Ministry of Environment and Forestry on 22 March 2023. The Energy segment expects to receive all the required approvals in respect of the environmental impact study, by the second quarter of 2023.

The Energy segment has finalised the consultant for the front-end engineering design ("FEED") study in March 2023. 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 is currently in the process of acquiring lands for the wellsites for the implementation of the HOA. The Energy segment has also completed the drilling program and is currently conducting technical discussions with service and equipment providers such as drilling contractors and production service providers and organising the tendering process in respect of the wells construction and facility, for the early gas sales program.

Muralim PSC

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. 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. In relation to this, the Energy segment has initiated the discussion with SKK Migas to extend the production test period. Upon collecting sufficient gas productivity data from the dewatering process, the Energy segment shall proceed with reserve certification to fulfill the POD submission requirements.

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.

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 31.3.2023 RM'000	Preceding year corresponding quarter 31.3.2022 RM'000	Current period 31.3.2023 RM'000	Preceding year corresponding period 31.3.2022 RM'000
Amortisation of customer relationships	(99)	(99)	(296)	(296)
Amortisation of development costs	(8)	(8)	(25)	(25)
Amortisation of government grant	90	67	226	203
Changes in fair value of other investments	379	339	130	(1,693)
Depreciation	(2,707)	(2,534)	(7,339)	(7,771)
Fair value changes on biological assets	(17)	278	(874)	865
Foreign exchange gain/(loss)	30	(128)	530	218
Gain on disposal of property plant and equipment	-	57	-	57
Property, plant and equipment written off	-	-	-	18
Provision for warranties (net)	(18)	(18)	(71)	(52)
Rental income	3	3	9	9