GLOBALTEC FORMATION BERHAD

(Incorporated in Malaysia)
Reg. No. 201101024895 (953031-A)

FOURTH QUARTERLY REPORT
FINANCIAL YEAR 2023

HIGHLIGHTS

- **The Group records net profit of RM2.4 million and RM10.2 million for the current quarter and current year respectively**
- **Dividend per share of 1.1 sen declared, marking 3 consecutive years of dividend**
- **Cash/Cash equivalents at RM57.4 million**
- **Net operating cash inflow of RM15.9 million**
- **Net assets increased by RM12 million to RM281 million**
- **Net assets per share jumped 4.5 sen to RM1.045**
- **Gearing remained healthy at 0.04 times**

Condensed unaudited consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2023

	Current quarter	Preceding year corresponding quarter	Current year	Preceding year
	30.6.2023	**30.6.2022**	**30.6.2023**	**30.6.2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	49,850	48,890	211,451	184,275
Cost of sales	(38,040)	(35,033)	(163,966)	(133,205)
Gross profit	11,810	13,857	47,485	51,070
Other operating expenses	(11,184)	(7,368)	(37,719)	(31,969)
Other operating income	1,287	1,340	3,486	3,402
Results from operating activities	1,913	7,829	13,252	22,503
Finance income	483	364	863	725
Finance costs	(183)	(121)	(770)	(776)
Share of (loss)/profit of associate	(160)	-	81	-
Profit before tax	2,053	8,072	13,426	22,452
Tax expense	(170)	(2,822)	(4,030)	(6,583)
Profit for the period	1,883	5,250	9,396	15,869
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	8,343	4,751	8,157	6,464
Total comprehensive income for the period	10,226	10,001	17,553	22,333
Profit/(Loss) attributable to:				
Owners of the Company	2,358	4,809	10,167	16,570
Non-controlling interests	(475)	441	(771)	(701)
Profit for the period	1,883	5,250	9,396	15,869
Total comprehensive income attributable to:				
Owners of the Company	9,391	8,131	16,924	21,442
Non-controlling interests	835	1,870	629	891
Total comprehensive income for the period	10,226	10,001	17,553	22,333
Basic earnings per ordinary share (sen)	0.876	1.787	3.778	6.157
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 30 June 2023

	As at 30.6.2023 RM'000	Audited 30.6.2022 RM'000
Non-current assets		
Property, plant and equipment	62,851	61,322
Right-of-use assets	35,786	31,342
Exploration and evaluation assets	125,721	114,553
Other investments	53	53
Other financial assets	1,939	2,215
Investment property	13,605	13,605
Intangible assets	26,239	26,588
Investment in associate	20,081	-
Total non-current assets	286,275	249,678
Current assets		
Biological assets	282	1,398
Receivables, deposits and prepayments	31,650	27,998
Inventories	38,935	34,784
Contract assets	4,966	6,939
Other investments	2,493	2,915
Current tax assets	2,108	791
Cash and cash equivalents	57,355	81,742
Total current assets	137,789	156,567
TOTAL ASSETS	424,064	406,245
Equity attributable to owners of the Company		
Share capital	643,671	643,671
Business combination deficit	(157,064)	(157,064)
Reserves	(205,359)	(217,439)
	281,248	269,168
Non-controlling interests	45,910	45,731
Total equity	327,158	314,899
Long term and deferred liabilities		
Borrowings	708	1,550
Lease liabilities	2,833	717
Deferred income	2,713	1,602
Deferred tax liabilities	10,877	10,111
Total long term and deferred liabilities	17,131	13,980
Current liabilities		
Payables and accruals	43,164	39,847
Lease liabilities	2,236	1,106
Tax liabilities	235	1,841
Deferred income	431	271
Provisions	29,124	27,199
Borrowings	4,585	7,102
Total current liabilities	79,775	77,366
Total liabilities	96,906	91,346
TOTAL EQUITY AND LIABILITIES	424,064	406,245
Net assets per share attributable to owners of the Company (RM)	1.045	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 year ended 30 June 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 income for the year	-	6,757	-	-	10,167	16,924	629	17,553
Dividend paid to owners of the Company	-	-	-	-	(4,844)	(4,844)	-	(4,844)
Dividend paid to Non-controlling interest by subsidiaries	-	-	-	-	-	-	(450)	(450)
At 30 June 2023	643,671	10,785	(44,479)	(157,064)	(171,665)	281,248	45,910	327,158

	← 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 year	-	4,872	-	-	16,570	21,442	891	22,333
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 30 June 2022	643,671	4,028	(44,479)	(157,064)	(176,988)	269,168	45,731	314,899

(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 year ended 30 June 2023

	Current year 30.6.2023 RM'000	Preceding year 30.6.2022 RM'000
Cash flows from operating activities		
Profit before tax	13,426	22,452
Adjustments for:		
Amortisation of customer relationships	395	395
Amortisation of development costs	34	33
Amortisation of government grant	(324)	(271)
Bearer plants written off	665	-
Changes in fair value of other investments	452	2,420
Depreciation	9,953	10,245
Fair value changes on biological assets	1,115	(907)
Finance costs	770	776
Finance income	(863)	(725)
Gain on disposal of property, plant and equipment	-	(39)
Inventories written off	-	266
Inventories written-down to net realisable value	-	43
Provision for warranties (net)	39	80
Reversal of inventories written down	-	(40)
Share of profit of associate	(81)	-
Unrealised foreign exchange gain	(1,003)	(1,736)
Operating profit before working capital changes	24,578	32,992
Changes in working capital:		
Contract assets	1,972	(2,435)
Inventories	(3,481)	(3,664)
Payables and accruals	603	825
Receivables, deposits and prepayments	(1,476)	(3,111)
Cash generated from operations	22,196	24,607
Warranties paid	(106)	(80)
Taxation paid (net)	(6,224)	(4,188)
Net cash generated from operating activities	15,866	20,339

Condensed unaudited consolidated statement of cash flows for the financial year 30 June 2023 (continued)

	Current year 30.6.2023 RM'000	Preceding year 30.6.2022 RM'000
Cash flows from investing activities		
Development costs paid	(80)	-
Exploration and evaluation expenditure incurred	(4,125)	(3,674)
Interest received	863	725
Proceeds from disposal of other investments	-	9,931
Proceeds from disposal of property, plant and equipment	-	56
Purchase of property, plant and equipment	(10,797)	(5,949)
Subscription of an associate	(20,000)	-
Net cash (used in)/generated from investing activities	(34,139)	1,089
Cash flows from financing activities		
Dividends paid to shareholders	(4,844)	(8,073)
Dividends paid to Non-controlling interest	(450)	-
Interest paid	(770)	(776)
Procceds from conversion of Company's warrants	-	24
Receipt of government grant	1,596	-
Repayment of bank borrowings – net	(5,385)	(6,636)
Net cash used in financing activities	(9,853)	(15,461)
Net (decrease)/increase in cash and cash equivalents	(28,127)	5,967
Cash and cash equivalents at beginning of year	81,742	72,973
Effect of foreign exchange fluctuation on cash and cash equivalents	3,740	2,802
Cash and cash equivalents at end of year	57,355	81,742

	As at 30.6.2023 RM'000	As at 30.6.2022 RM'000
Cash and bank balances	27,349	43,010
Short term placement funds	19,269	9,940
Deposits with licensed banks	10,737	28,792
	57,355	81,742

(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 and International Tax Reform – Pillar Two Model Rules*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and 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 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 year and prior year 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 year.

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 year ended 30 June 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 has on 24 August 2023 declared a dividend of 1.1 sen per share, in respect of the financial year ended 30 June 2023.

A8. Material events subsequent to the year end

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

A9. Changes in composition of the Group

Save as disclosed below, there were no material changes in the Group structure for the financial year 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 30 June 2023 were as follows:

	RM'000
In respect of:	
- Property, plant and equipment	5,981
- Exploration and development	9,358
Total	15,339

A11. Contingent liabilities/assets

As at 30 June 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 RM4.8 million was outstanding at the year 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 year ended 30 June 2023.

A13. Segmental information

Analysis by business segments being the primary basis of the Group's segmental reporting for the financial year ended 30 June 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	202,776	-	8,675	-	-	211,451
Inter-segment revenue	-	-	-	9,396	(9,396)	-
Total revenue	202,776	-	8,675	9,396		211,451
Segment profit/(loss)	20,349	(2,805)	(1,114)	(3,044)	(41)	13,345
Share of profit of associate						81
Consolidated profit before tax						13,426
Segment assets	207,707	134,322	41,258	66,097	(71,529)	377,855
Investment in associate						20,081
Customer relationships						3,947
Goodwill on consolidation						22,181
Consolidated total assets						424,064

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 RM81,000 for the current year.

Year on Year

The Group's revenue for the current financial year ("FY") increased 15% from RM184.3 million in the prior FY to RM211.5 million, underpinned by the increase in revenue of the IMS segment. The IMS segment registered an increase in revenue from RM171.7 million to RM202.8 million year on year, due to an increase of RM27.7 million and RM3.3 million from the Automotive and PMST division respectively. The improvement was due to the overall improving Malaysia and global economy in FY2023 vis-à-vis FY2022, in line with the abatement of the Covid-19 effects. In addition, high delivery of vehicles in FY2023, to meet the SST exemption concession, which ended on 31 March 2023 coupled with that in FY2022, the Malaysian automotive industry supply chain was disrupted by Covid-19 lockdown (July 2021 to mid-Aug 2021) and a massive flood in Selangor and its after-effects that lasted from Dec 2021 to about May 2022. This increase was partially offset by a decrease of RM3.9 million in revenue from the Resources segment to register at RM8.7 million for the current year as a result of lower FFB prices albeit higher FFB production.

The Group's net profit decreased from RM16.6 million for the previous FY to RM10.2 million for the current FY, attributable to a decline in the results of the IMS and Resources segment of RM1.3 million and RM4.6 million respectively. The PMST division recorded a decrease in net profit of RM2.6 million due mainly to increases in material and labour costs. The Automotive division chalked up an increase in net profits of RM1.3 million for the current FY as compared to RM0.9 million for FY2022, in line with its higher revenue. The Resources segment registered a net loss of RM2.2 million in the current FY versus a net profit of RM2.4 million in the prior FY, due mainly to lower average FFB prices, bearer plants written off of RM0.6 million (net of deferred tax) and fair value loss on biological assets of RM1.1 million. Bearer plants written off was in line with the Resources segment's replanting program which started during the current quarter.

Current Quarter vs Preceding Year Corresponding Quarter

The Group's revenue for the current quarter increased marginally from RM48.9 million in the preceding year corresponding quarter to RM49.9 million, underpinned by an increase in the revenue from the IMS segment. The revenue from IMS segment moved up RM2.6 million, from RM45.1 million to RM47.7 million, attributable mainly to the overall improving economy 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. On this note, the Automotive division revenue increased 24% or RM3.5 million. The revenue from the PMST division however decreased by RM1.0 million, due to weak demand as a result of its customers overstocking in the prior FY. The Resources segment's revenue decline from RM3.8 million in the preceding year corresponding quarter to RM2.2 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 RM4.8 million in the preceding year corresponding quarter to RM2.4 million for the current quarter. This was attributable mainly to a decrease of RM1.9 million in the results of the Resources segment from a net profit of RM0.9 million to a net loss of RM1.0 million due mainly to the decline in its revenue, the aforementioned bearer plants written off (net off deferred tax) of RM0.6 million and fair value loss on biological assets of RM0.2 million. The net loss of the Energy segment widened by RM0.3 million, on the back of higher expenditure as the Energy segment moved towards the preparation of its first commercial CBM drilling.

Financial position analysis

During the current year, 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 FY end, to RM57.4 million as at 30 June 2023. Comparing as at 30 June 2023 with as at 30 June 2022, the Group’s net assets per share has increased from RM1.00 to RM1.045 whilst the gearing remained healthy at 0.04 times.

B2. Material changes from the preceding quarter

Comparing quarter on quarter, the Group’s revenue decreased from RM52.9 million to RM49.9 million, due to a drop in both the IMS and Resources segments. The IMS segment recorded a decline in revenue totalling RM3.3 million as a result of the Automotive division registering a decrease of RM3.4 million due to longer periods of shutdown by customers in view of major festivities during the current quarter.

The Group’s net profit increased from RM1.7 million to RM2.4 million quarter on quarter. Despite lower revenue, IMS segment’s net profit increased by RM2.5 million from RM3.3 million to RM5.8 million underpinned by increase in net profits of RM2.8 million recorded by the PMST division due mainly to the reversal of overprovision in prior year’s tax expense and higher foreign exchange gains for the current quarter. The Automotive division’s net profit decreased marginally by RM0.3 million in line with its lower revenue. The increase in net profits from the IMS segment was offset partially by higher net loss from the Resources and Energy segments. The net loss from the Resources segment widened from RM0.5 million to RM1.0 million due to the decrease in average FFB prices, bearer plants written off and fair value loss on biological assets but was partially offset by reduction in its operational costs. The Energy segment’s net loss increased by RM0.7 million, due mainly to an increase in the fair value loss of its other investments.

B3. Prospects

Resilient consumer spending on services, moderating inflation and declining immediate risk in the banking sector have fueled some upturns for the global economic outlook. The improvements remain fragile, however, with China’s slower-than-expected economic recovery, rather sticky core inflation, high interest rates and geopolitical uncertainties still weighing on economic activities, businesses and consumer confidence. Cost-wise, 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 be fully consumed/sold, hence causing further deferment of expansion plans and uncertainty in spending.

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, the Malaysian Automotive Association has revised upwards its car sales forecast for 2023 to 725,000 units, up 11.5% from its initial 650,000 units projected at the start of the year. The upward momentum is expected to continue in the next few years supported by sales from the national carmakers, Proton and Perodua. The optimism is also supported by the stable economic outlook for 2023, with the local economy projected to expand between 4% and 5%, driven by domestic demand as well as the launching of new innovative models and competitive pricing. Improvements in the automotive industry supply chain environment also bodes well for the car sales moving forward. Bank Negara Malaysia's decision to maintain the overnight policy rate at 3% will help stabilise the market in terms of financing for car purchases.

Furthermore, the Precision Stamping and Tooling division (a sub-division of the PMST division)'s third facility in Indonesia totalling 27,093 sq. ft which is scheduled to be completed by end 2023 is expected to contribute positively to the revenue, profits and cash flows of the Group.

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 30 June 2023 were all secured. The borrowings denominated in foreign currency and RM as at 30 June 2023 were as follows:

	RM'000
Foreign Currency:	
- IDR371,366,848 @ IDR:RM of 3,205:1	116
RM	5,178
Total Group Borrowings	5,294

B7. Material litigation

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

B8. Taxation

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

	Current quarter 30.6.2023 RM'000	Financial year 30.6.2023 RM'000
Income tax expense		
Malaysia - current year	234	2,456
- overprovision in prior year	(1,026)	(1,026)
Overseas - current	404	1,752
	(388)	3,182
Deferred tax expense		
Malaysia - current year	463	754
Overseas – current year	94	94
Total tax expense	169	4,030

The effective tax rate of the Group for the current quarter is lower than the statutory tax rate due mainly to an overprovision in prior year tax expense recognised by the IMS segment.

The effective tax rate of the Group for the current year is higher than the statutory tax rate due mainly to the net losses incurred by the Energy, Resources and Investment Holding segments.

B9. Earnings per share

Basic earnings per share

The basic earnings per share of the Group for the current quarter and current year was computed as follows:

	Current quarter	Current year
Profit attributable to owners of the Company (RM'000)	2,358	10,167
Weighted average number of ordinary shares ('000)	269,120	269,120
Basic earnings per share (sen)	0.876	3.778

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

B10. Exploration and development expenditure/activities

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

	RM'000
Carrying amount	
At 1 July 2022	114,553
Effect of movements in exchange rates	7,043
Additions	4,125
At 30 June 2023	125,721

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 year 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 has been extended to 31 December 2023. 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. Concurrently the Energy segment is working on the draft GSPA with PT Laras Energy.

NuEnergy submitted the letter of request for gas allocation and price to SKK Migas on 14 February 2023 and is currently pending the approval of MEMR. In addition, the Energy segment has completed and submitted the necessary environmental impact studies' application as required under the POD 1 and is now pending approval from the Ministry of Environment and Forestry of Indonesia.

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 has finalised the location of all the proposed well sites and is in the final stage of land acquisition. The Energy segment and SKK Migas representatives have already conducted a site visit and joined in the socialisation process with the local community on 6 June 2023. The Energy segment has initiated the procurement process of long lead time items to the vendors, and also appointed some of the service companies necessary for the early gas sales program.

Muralim PSC

The Energy segment had on 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. The Energy segment plans to improve the dewatering rate by activating an existing well, MU-006. Due to the high-water production causing a delay in the completion of the dewatering process, the Energy segment had discussed with SKK Migas to extend the exploration period beyond the deadline of 18 July 2023. SKK Migas has agreed and has made a recommendation of a 19 months extension of the exploration period, to MEMR. 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 30.6.2023 RM'000	Preceding year corresponding quarter 30.6.2022 RM'000	Current year 30.6.2023 RM'000	Preceding year 30.6.2022 RM'000
Amortisation of customer relationships	(99)	(99)	(395)	(395)
Amortisation of development costs	(9)	(8)	(34)	(33)
Amortisation of government grant	98	68	324	271
Bearer plants written off	(665)	-	(665)	-
Changes in fair value of other investments	(582)	(727)	(452)	(2,420)
Depreciation	(2,614)	(2,474)	(9,953)	(10,245)
Fair value changes on biological assets	(241)	42	(1,115)	907
Foreign exchange gain	690	1,763	1,220	1,608
Provision for warranties (net)	32	132	(39)	80
Rental income	3	3	12	12