GLOBALTEC FORMATION BERHAD

(Incorporated in Malaysia)

Company No: 953031-A

FOURTH QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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Condensed unaudited consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2019

	Current quarter 30.6.2019 RM'000	Preceding year corresponding quarter 30.6.2018 RM'000	Current year 30.6.2019 RM'000	Preceding year 30.6.2018 RM'000
Continuing operations				
Revenue	48,525	41,639	217,298	194,825
Cost of sales	(40,629)	(33,247)	(172,819)	(152,499)
Gross profit	7,896	8,392	44,479	42,326
Other operating expenses	(56,896)	(9,407)	(86,596)	(81,965)
Other operating income	710	1,951	1,559	4,701
Results from operating activities	(48,290)	936	(40,558)	(34,938)
Finance income	254	234	963	878
Finance costs	(285)	(572)	(1,363)	(2,126)
(Loss)/Profit before tax	(48,321)	598	(40,958)	(36,186)
Tax expense	(820)	(574)	(2,900)	91
(Loss)/Profit from continuing operations	(49,141)	24	(43,858)	(36,095)
Loss from discontinued operations, net of tax	-	(215)	-	(3,010)
Loss for the period	(49,141)	(191)	(43,858)	(39,105)
Other comprehensive income/(expense), net of tax				
Foreign currency translation differences for foreign operations	2,640	4,308	4,782	(12,824)
Total comprehensive (expense)/income for the period	(46,501)	4,117	(39,076)	(51,929)
(Loss)/Profit attributable to:				
Owners of the Company - continuing operations	(26,135)	(203)	(19,322)	(17,346)
- discontinued operations	-	(215)	-	(3,010)
Non-controlling interests - continuing operations	(23,006)	227	(24,536)	(18,749)
- discontinued operations	-	-	-	-
Loss for the period	(49,141)	(191)	(43,858)	(39,105)
Total comprehensive (expense)/income attributable to:				
Owners of the Company - continuing operations	(24,254)	3,040	(15,937)	(26,845)
- discontinued operations	-	(215)	-	(3,010)
Non-controlling interests - continuing operations	(22,247)	1,292	(23,139)	(22,074)
- discontinued operations	-	-	-	-
Total comprehensive (expense)/income for the period	(46,501)	4,117	(39,076)	(51,929)
Basic loss per ordinary share (sen)				
- Continuing operations	(9.712)	(0.075)	(7.181)	(6.446)
- Discontinued operations	-	(0.080)	-	(1.119)
	(9.712)	(0.155)	(7.181)	(7.565)
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 Financial Report for the year ended 30 June 2018)

Condensed unaudited consolidated statement of financial position as at 30 June 2019

	As at 30.6.2019 RM'000	Audited 30.6.2018 RM'000
Non-current assets		
Property, plant and equipment	110,482	102,526
Exploration and evaluation assets	99,339	106,651
Other investment	-	3,534
Intangible assets	27,707	28,381
Deferred tax assets	768	351
Total non-current assets	238,296	241,443
Current assets		
Biological assets	172	279
Receivables, deposits and prepayments	38,214	41,773
Inventories	28,368	26,486
Contract assets	7,631	-
Other investments	185	216
Current tax assets	1,373	2,476
Cash and cash equivalents	46,750	55,389
Total current assets	122,693	126,619
TOTAL ASSETS	360,989	368,062
Equity attributable to owners of the Company		
Share capital	643,647	538,174
Share premium	-	105,473
Business combination deficit	(157,064)	(157,064)
Reserves	(253,222)	(240,203)
	233,361	246,380
Non-controlling interests	39,695	62,834
Total equity	273,056	309,214
Long term and deferred liabilities		
Borrowings	6,638	9,729
Deferred tax liabilities	5,206	4,973
Total long term and deferred liabilities	11,844	14,702
Current liabilities		
Payables and accruals	60,002	28,279
Tax liabilities	361	630
Provision for warranties	738	1,851
Borrowings	14,988	13,386
Total current liabilities	76,089	44,146
Total liabilities	87,933	58,848
TOTAL EQUITY AND LIABILITIES	360,989	368,062
Net assets per share attributable to owners of the Company (RM)	0.867	0.916

(The condensed unaudited consolidated statement of financial position should be read in conjunction with the Annual Financial Report for the year ended 30 June 2018)

Condensed unaudited consolidated statement of changes in equity for the financial year ended 30 June 2019

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	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	RM'000	RM'000
At 1 July 2018										
- As previously stated	538,174	105,473	6,041	(3,938)	(44,479)	(157,064)	(197,827)	246,380	62,834	309,214
- Effects of adoption of *MFRS 15*	-	-	-	-	-	-	2,918	2,918	-	2,918
- As restated	538,174	105,473	6,041	(3,938)	(44,479)	(157,064)	(194,909)	249,298	62,834	312,132
Transfer in accordance with Section 618 (2) of the Companies Act 2016	105,473	(105,473)	(6,041)	-	-	-	6,041	-	-	-
Total comprehensive income/(expense) for the year	-	-	-	3,385	-	-	(19,322)	(15,937)	(23,139)	(39,076)
At 30 June 2019	643,647	-	-	(553)	(44,479)	(157,064)	(208,190)	233,361	39,695	273,056

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	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	RM'000	RM'000
At 1 July 2017	538,174	105,473	6,041	5,528	(44,479)	(157,064)	(177,438)	276,235	84,908	361,143
Total comprehensive expense for the year	-	-	-	(9,499)	-	-	(20,356)	(29,855)	(22,074)	(51,929)
Disposal of associate	-	-	-	33	-	-	(33)	-	-	-
At 30 June 2018	538,174	105,473	6,041	(3,938)	(44,479)	(157,064)	(197,827)	246,380	62,834	309,214

(The condensed unaudited consolidated statement of changes in equity should be read in conjunction with the Annual Financial Report for the year ended 30 June 2018)

Condensed unaudited consolidated statement of cash flows for the financial year ended 30 June 2019

	Current year 30.6.2019 RM'000	Preceding year 30.6.2018 RM'000
Cash flows from operating activities		
Loss before tax from:		
- continuing operations	(40,958)	(36,186)
- discontinued operations	-	(3,018)
	(40,958)	(39,204)
Adjustments for:		
Amortisation of customer relationships	395	395
Amortisation of development costs	27	229
Changes in fair value of other investments	45	31
Depreciation	10,001	10,617
Fair value loss on biological assets	107	254
Finance costs	1,363	2,154
Finance income	(963)	(880)
Loss on sale of discontinued operations (net)	-	44
Gain on disposal of associate	-	(1,158)
Gain on disposal of property, plant and equipment	(145)	(353)
Goodwill written off	252	-
Loss on disposal of other investment	20	-
Impairment loss on available for sale financial asset	-	323
Impairment loss/provision on exploration assets	46,191	36,011
Impairment loss on property, plant and equipment	-	243
Impairment loss on receivables, deposits, and prepayments	1,000	870
Inventories written-down to net realisable value	-	174
Inventories written off	-	390
Property, plant and equipment written off	-	1,126
(Reversal)/Addition of provision for warranties (net)	(638)	300
Reversal of inventories written down	-	(2,106)
Unrealised foreign exchange loss	362	830
Operating profit before working capital changes	17,059	10,290
Changes in working capital:		
Inventories	(1,442)	761
Receivables, deposits and prepayments	(2,380)	(3,166)
Payables and accruals	5,440	7,441
Cash generated from operations	18,677	15,326
Warranties paid	(475)	(175)
Taxation paid (net)	(2,246)	(2,695)
Net cash generated from operating activities	15,956	12,456

Condensed unaudited consolidated statement of cash flows for the financial year ended 30 June 2019 (continued)

	Current year 30.6.2019 RM'000	Preceding year 30.6.2018 RM'000
Cash flows from investing activities		
Exploration and evaluation expenditure incurred	(10,304)	(8,378)
Interest received	963	880
Proceeds from disposal of other investment	3,500	-
Net cash flow from disposal of subsidiaries	-	267
Proceeds from disposal of property, plant and equipment	180	395
Proceeds from disposal of associate	-	1,158
Purchase of property, plant and equipment	(16,937)	(7,914)
Net cash used in investing activities	(22,598)	(13,592)
Cash flows from financing activities		
Interest paid	(1,363)	(2,154)
Withdrawal in pledged deposits with licensed banks	-	176
Repayment of bank borrowings – net	(1,998)	(11,182)
Net cash used in financing activities	(3,361)	(13,160)
Net decrease in cash and cash equivalents	(10,003)	(14,296)
Effect of foreign exchange fluctuation on cash and cash equivalents	1,364	(4,333)
Cash and cash equivalents at beginning of year	55,389	74,018
Cash and cash equivalents at end of year	46,750	55,389

Cash and cash equivalents at end of year comprise of:

	Current year 30.6.2019 RM'000	Preceding year 30.6.2018 RM'000
Cash and bank balances	33,816	30,731
Deposits with licensed banks	12,934	24,658
	46,750	55,389

(The condensed unaudited consolidated statement of cash flows should be read in conjunction with the Annual Financial Report for the year ended 30 June 2018)

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

Save as disclosed below, 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 2018.

The Group had during the financial year adopted inter-alia MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* (which were effective for annual periods beginning on or after 1 January 2018).

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

Previously, the Group recognises revenue from contracts with customers on the basis that persuasive evidence exists, usually in the form of an executed sales agreement, and that the significant risks and rewards of ownership have been transferred to the customers. Upon adoption of MFRS 15, the Group has recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customers. The Group has applied cumulative effect transitional provision under MFRS 15.

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

There is no material impact on the adoption of MFRS 9 on the consolidated financial statements.

Effects on adoption of new accounting standards

The adoption of MFRS 15 had the following effects to the consolidated financial statements:

	As reported RM'000	Debit/(Credit) Adjustments due to adoption of MFRS 15 RM'000	As restated RM'000
As at 1 July 2018			
Trade and other receivables	41,773	(4,949)	36,824
Inventories	26,486	(1,219)	25,267
Contract assets	-	9,211	9,211
Deferred tax liabilities	(4,973)	(125)	(5,098)
Accumulated losses	197,827	(2,918)	194,909
Net assets	246,380	(2,918)	243,462

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 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment and Settlement*
- Amendments to MFRS 123*, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 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, amendments and interpretations from the annual period beginning on 1 July 2019 and 1 July 2020 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019 and 1 January 2020 respectively.

The accounting standard that is effective for annual period beginning on or after 1 January 2021 is currently not applicable to the Group.

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material impact to the financial statements of the Group except as mentioned below:

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group has completed an assessment of the impact of MFRS 16 on its financial statements.

At 1 July 2019, the Group expects to recognise lease liabilities of RM2,316,000 with a corresponding right-of-use assets of equivalent amount. No significant impact is expected on the Group's existing finance leases.

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

Save as disclosed below, there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter and financial year.

In accordance with Section 618 of the Companies Act 2016 on the transition to no par value regime, the share premium account has been consolidated into the share capital account and the capital redemption reserves of certain subsidiaries has been realised into accumulated losses.

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 2019.

A7. Dividends

The Board does not recommend any dividend for the financial year ended 30 June 2019.

A8. Valuation of property, plant and equipment

The Group measures and records its land and buildings at cost and does not revalue them.

A9. Material events subsequent to the year end

Save as disclosed below, there were no material events subsequent to the financial year end.

On 26 August 2019 the Company announced that the Energy segment received a notice of termination from the Indonesia Minister of Energy and Mineral Resources through the Indonesian Special Task Force for Upstream Oil and Gas Business Activities ("SKK Migas") in respect of the Bontang Bengalon Production Sharing Contract ("PSC"). The Bontang Bengalon PSC was terminated on the grounds of non-discovery of coal bed methane at the end of the 6th contract year and the Energy segment is required to relinquish the remaining contract area and to fulfil its remaining obligation under the PSC. The Energy segment will send a response to this notice and appeal to the Government of Indonesia and will update the outcome of the appeal in due course.

A10. Changes in composition of the Group

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

During the financial year, NuEnergy Gas (Singapore) Pte Ltd, Dart Energy (CBM Power Indonesia) Pte Ltd, Isotrax Engineering Sdn Bhd and Integral CAD Technologies Sdn Bhd, 4 wholly owned dormant subsidiaries have been de-registered.

A11. Capital commitments

Contracted but not provided for capital commitments as at 30 June 2019 were as follows:

	RM'000
In respect of:	
- Property, plant and equipment	654
- Lease agreements	1,341
Total	1,995

A12. Contingent liabilities/assets

As at 30 June 2019, the Company had executed corporate guarantees in favour of licensed financial institutions of up to a limit of RM35.2 million for credit facilities granted to subsidiaries. Out of the total banking facilities secured by corporate guarantees by the Company, a total of RM19.2 million was outstanding at the year end.

A13. Segmental information

Analysis by business segments being the primary basis of the Group's segmental reporting for the financial year ended 30 June 2019 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	211,492	-	5,806	-	-	217,298
Inter-segment revenue	-	-	-	2,105	(2,105)	-
Total revenue	211,492	-	5,806	2,105		217,298
Segment profit/(loss)	13,614	(49,428)	(1,673)	(3,471)	-	(40,958)
Segment assets	170,513	107,533	51,417	99,674	(95,855)	333,282
Customer relationships						5,526
Goodwill on consolidation						22,181
Consolidated total assets						360,989

A14. Debt and equity securities

Save as disclosed below, 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 2019.

Pursuant to the shareholders' approval obtained on 29 November 2018:

i) the Company had on 14 December 2018, undertaken a consolidation of every 20 existing ordinary shares into 1 ordinary share ("Consolidated Share"). The issued and paid up share capital of the Company from that date comprised of 269,086,895 Consolidated Shares; and

ii) the Company had on 26 December 2018, issued and listed 67,271,723 free warrants ("Warrants") on the basis of 1 Warrant for every 4 Consolidated Shares.

iii) Consequently, the computation of earnings per share and net assets per share have been adjusted accordingly and retrospectively.

A15. Discontinued operations

The revenue, results and cash flows of the discontinued operations were are as follows:

	Current quarter 30.6.2019 RM'000	**Preceding year corresponding quarter 30.6.2018 RM'000**	**Current year 30.6.2019 RM'000**	**Preceding year 30.6.2018 RM'000**
Revenue	-	969	-	10,243
Loss before tax	-	(172)	-	(2,974)
Tax expense	-	1	-	8
Loss after tax	-	(171)	-	(2,966)
Loss on sale of discontinued operations	-	(44)		(44)
Loss for the period		(215)		(3,010)
Other comprehensive expense	-	-	-	-
Total comprehensive expense for the period	-	(215)	-	(3,010)
Loss for the period attributable to:				
Owners of the Company	-	(215)	-	(3,010)
Non-controlling interests	-	-	-	-
Loss for the period	-	(215)	-	(3,010)
Total comprehensive expense attributable to:				
Owners of the Company	-	(215)	-	(3,010)
Non-controlling interests	-	-	-	-
Total comprehensive expense for the period	-	(215)	-	(3,010)
Cash flows from:				
Operating activities			-	(4,573)
Investing activities			-	4,502
Financing activities			-	(165)
Net cash flow			-	(236)

OTHER NOTES PURSUANT TO BURSA MALAYSIA'S MAIN MARKET LISTING REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A

B1. Review of performance

The Integrated Manufacturing Services ("IMS") segment comprises the following divisions:

i) precision machining, stamping and tooling ("PMST"); and
ii) automotive components design and manufacturing ("Automotive").

The Resources segment is principally involved in the harvesting and selling of fresh fruit bunches of oil palm ("FFB") whereas the Energy segment is principally involved in the exploration and production of oil and gas but has not commenced commercial production yet.

The Group's revenue for the current year increased from RM194.8 million in prior year to RM217.3 million. This was due to an increase of RM26.2 million or 14% in the IMS segment's revenue on the back of the Automotive division registering an increase in its revenue contribution. The increase in the Automotive division's revenue is attributable mainly to higher sales orders from a new customer procured by the Automotive division in the second half of the previous financial year. The PMST division's revenue for the current year was consistent with the previous year. The Resources segment registered a decline in its revenue of RM2.5 million due to a decline in FFB prices and FFB production.

Included in the Group's results for the current year were the Group's effective share of the impairment loss/provision on exploration assets for its production sharing contracts in Indonesia of RM23.8 million (net) (FY2018: RM17.1 million), and the Automotive division's integration and rationalisation costs of Nil (FY2018: RM3.7 million).

On a normalised basis (after excluding the above items), the Group's net profit attributable to owners of the Company has increased from RM3.5 million to RM4.5 million year on year. This is attributable to an increase in profits from the IMS segment due mainly to higher revenue generated by the Automotive division but partially offset by higher losses incurred by the Resources segment due to depressed FFB price.

The Group's revenue increased from RM41.6 million for the preceding year corresponding quarter to RM48.5 million for current quarter. This was due mainly to an increase in the revenue of all the IMS divisions. The increase is attributable mainly to higher sales orders booked for the current quarter vis-à-vis the preceding year corresponding quarter. The Resources segment registered a decrease in its revenue due to a decrease in FFB prices and FFB production.

Included in the Group's results for the current quarter were the Group's effective share of the abovesaid impairment loss/provision on exploration assets (net of tax) of RM23.8 million (Q4 FY2018: Nil).

On a normalised basis, the Group for the current quarter registered an increase in its net loss attributable to owners of the Company from RM0.2 million in the preceding year corresponding quarter to RM2.3 million. Despite the increase in revenue, the IMS segment's profits declined by RM1.7 million due mainly to MFRS 15 adjustments. In line with its drop in revenue, the Resources segment registered a decline in its net results of about RM0.3 million.

The Group recorded a net cash outflow of RM10.0 million due mainly to the construction of a new factory by the Precision Machining and Automation ("PMA") division (a sub-division of the PMST division), exploration expenditure, purchase of plant and machinery and repayment of bank borrowings. Nevertheless, cash inflows from operating activities for the current financial year of RM16.0 million were higher compared to the preceding year of RM12.5 million. The cash and bank balances as at year end was RM46.8 million. Comparing year on year, the Group's net assets per share has reduced from RM0.916 to RM0.867 whilst gearing has remained the same at 0.09 times.

B2. Material changes from the preceding quarter

Comparing quarter on quarter, the Group's revenue decreased from RM53.5 million to RM48.5 million. This was due to a decrease in both the IMS and Resources segments' revenue of RM4.5 million and RM0.4 million respectively. The decrease in IMS segment's revenue arose from a decline of RM5.8 million in revenue from the Automotive division which was due mainly to relatively weak demand, festive holidays, some models being phased out during the current quarter and MFRS 15 adjustments. The PMST division however, registered an increase in its revenue of RM1.3 million as a result of a major customer ramping up sales during the current quarter. The decrease in the revenue from the Resources segment was due to a decrease in FFB production.

On a normalised basis, the results attributable to owners of the Company for the current quarter recorded a decrease from a profit of RM3.2 million in the previous quarter to a loss of RM2.3 million due mainly to decrease in the results of all the segments. The IMS segment recorded a decrease of RM2.9 million in its net profit due mainly to lower revenue, as result of shorter working days due to festive holidays, and MFRS 15 adjustments. The Resources segment recorded higher losses in tandem with the decline in its revenue.

B3. Prospects

Under the PMA division, the Group has commenced its expansion phase by building a new 60,000 square feet facility at Penang Science Park. The new building has been completed and is now pending the certificate of completion and compliance from authorities.

Capitalising on buoyant growth in Indonesia and overwhelming demand from customers but constrained by capacity, the Precision, Stamping and Tooling division (another sub-division of the PMST division) is also planning an expansion of its existing facilities.

With the expansion plans of the PMST division, the Group can expect increased positive growth to its revenue and bottom line in years to come.

Having completed its integration and rationalisation in the prior financial year, the Automotive division is now leaner. With this, the Automotive division will continue to leverage on its collaboration with Ningbo Auto Components Industry Association and its members to extend their relationship with Proton/Geely in Malaysia and expand into the ASEAN market. In addition, with the diversification to other car makers the Automotive division is hopeful for a better performance in the ensuing years.

The Energy Segment, under NuEnergy Gas Limited ("NuEnergy"), has submitted the first coal bed methane ("CBM") Plan of Development ("POD I") for the Tanjung Enim PSC in Indonesia. The proposed POD I plans for the development of 209 wells in the identified areas of the Tanjung Enim PSC covering about 33km^2 (or 13% of the total Tanjung Enim PSC acreage), where the gas will be transported through a 24km new pipeline to be built as part of this POD I to the north of the Tanjung Enim PSC, linking to the nearby existing infrastructures, including connecting to PT Pertamina Gas's transmission pipeline situated in the north of the Tanjung Enim PSC that has greater market access and flexibility to the Palembang area. The Indonesia Research and Development Center for Oil and Gas Technology has confirmed and certified reserves totaling ~164.89 billion standard cubic feet (bscf) of gas. The POD I is currently pending the approval of the Indonesian Government.

Nevertheless, development and commercialisation of the gas reserves will take time before the Group can reap the returns from it.

B4. Financial Forecast and Profit Guarantee

Not applicable.

B5. Corporate proposals

There were no material corporate proposals announced but not completed within 7 days from the date of issue of this report.

B6. Taxation

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

	Current quarter 30.6.2019 RM'000	Financial year 30.6.2019 RM'000
Income tax expense		
Malaysia -current year	621	1,589
- under/(over) provision in prior year	345	(202)
Overseas – current	(162)	1,673
	804	3,060
Deferred tax expense		
Malaysia - current year	16	(160)
Total tax expense	820	2,900

The effective tax rate of the Group for the current quarter and current year is higher than the statutory tax rate due mainly to the losses incurred by the Energy segment (which has yet to commence commercial production) and the Resources and Investment Holding segments.

B7. Status of memorandum of understandings

i) AutoV Corporation Sdn Bhd ("AutoV"), a subsidiary of the Company has on 28 July 2017 entered into a memorandum of understanding for strategic alliance with Ningbo Auto Components Industry Association ("Ningbo AIA") which records the principal and mutual understanding whereby Ningbo AIA shall assist to develop and secure business collaborations between its members and AutoV group of companies. Discussions are still ongoing as at the date of this report.

ii) NuEnergy had as at end September 2017 executed a Memorandum of Understanding with PT Pertamina Gas ("Pertagas") in September 2017 to explore the gas supply from the Tanjung Enim PSC. NuEnergy is currently in an on-going discussion with Pertagas to finalise the mechanism on gas delivery and subsequently progress to negotiate the commercial terms of gas sale and supply.

B8. Borrowings

The Group's borrowings as at 30 June 2019 were all secured. The borrowings denominated in foreign currency and RM as at 30 June 2019 was as follows:

	RM'000
Foreign Currency:	
- IDR1,210,618,503@ RM0.0293/IDR100	355
RM	21,271
Total Group Borrowings	21,626

Foreign currency:

IDR Indonesian Rupiah

B9. Material litigation

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

B10. Loss per share

Basic loss per share

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

	Current quarter 30.6.2019	Current year 30.6.2019
Loss attributable to owners of the Company (RM'000)	26,135	19,322
Weighted average number of ordinary shares ('000)	269,087	269,087
Basic loss per share (sen)	9.712	7.181

Diluted earnings per share

Diluted earnings per share for the current quarter and financial year are not applicable as:

i) the Group incurred a loss for the current quarter and financial year; and

ii) the exercise price of the Company's warrants of RM0.72 is higher than the market price of the Company's shares as at year end.

B11. Exploration and development expenditure/activities

Below is a table showing the exploration assets/expenditure incurred during the financial year.

	RM'000
Carrying amount	
At 1 July 2018	106,651
Effect of movements in exchange rates	3,162
Additions	10,304
Impairment loss	(20,778)
At 30 June 2019	99,339

The Energy segment commenced drilling at the end of September 2018 for the first exploratory well BB-002 at the Bontang Bengalon PSC in East Kalimantan, Indonesia. The drilling program covered the drilling of 2 exploratory wells as part of the program to fulfil the PSC firm commitments which have to be completed before the end of the PSC Exploration Period. The Indonesian Special Task Force for Upstream Oil and Gas Business Activities ("SKK Migas") has recommended to the Indonesia Ministry of Energy and Mineral Resources for a contract amendment to allow the extension of the Exploration Period and to continue with further exploration program for development. As disclosed in Note A9, on 26 August 2019 the Company announced that the Energy segment received a notice of termination from the Indonesia Minister of Energy and Mineral Resources through SKK Migas in respect of the Bontang Bengalon PSC.

During the financial year, the Energy segment continued with the drilling activities in the Muralim PSC following the extension of the Exploration Period to 2 December 2020. The drilling activities cover the drilling of 2 wells (MU-005 and MU-006) and to commence the Pilot Production Program with the aim of booking CBM reserves and preparing the POD by December 2020. The drilling results revealed quality coal formation similar to the reservoir characteristic of the other South Sumatra PSCs (Tanjung Enim PSC, Muara Enim PSC and Muara Enim II PSC) located within the 125km radius towards the east of the Muralim PSC. The results from logging revealed 5 coal seams with total thickness of 27 meters with average 5 meters from a single seam. The MU-006 well was completed and ready to be put on production test while MU-005 well was half drilled as at to-date.

The drilling results also confirmed the coal continuity towards the western part of the other South Sumatra PSCs that will enable the potential development of a large scale CBM supply.

The Energy segment had on 11 February 2019 converted its Muralim PSC from its existing cost-recovery based PSC to a Gross Split based PSC. The Gross Split PSC scheme will provide flexibility to the business and the regulatory processes as well as operational execution in order to achieve the highest level of efficiency which is required by the low cost and fast-moving coal bed methane industries in Indonesia. The Energy segment will also, subject to government of Indonesia's approval, be increasing its participating interest of 50% to 100% in the Muralim PSC.

The Energy Segment has submitted the POD I for the Tanjung Enim PSC and is now awaiting approval from the Indonesia Ministry of Energy and Mineral Resources.

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

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

	Current quarter 30.6.2019 RM'000	Preceding year corresponding quarter 30.6.2018 RM'000	Current year 30.6.2019 RM'000	Preceding year 30.6.2018 RM'000
Amortisation of customer relationships	(99)	(99)	(395)	(395)
Amortisation of development costs	-	(73)	(27)	(229)
Changes in fair value of other investments	(22)	(9)	(45)	(31)
Depreciation	(2,577)	(2,465)	(10,001)	(10,617)
Fair value changes on biological assets	106	107	(107)	(254)
Foreign exchange gain/(loss)	88	362	(291)	(949)
Gain on disposal of property plant and equipment	49	292	145	353
Impairment loss on receivables, deposits and prepayments	(1,000)	(870)	(1,000)	(870)
Gain on disposal of associate	-	-	-	1,158
Goodwill written off	(252)	-	(252)	-
Loss on sale of discontinued operations	-	(44)	-	(44)
Impairment loss/provision on exploration and evaluation assets	(46,191)	589	(46,191)	(36,011)
Impairment loss on property, plant and equipment	-	-	-	(243)
Impairment loss on available for sale financial asset	-	(306)	-	(323)
Inventories written off	-	(62)	-	(390)
Inventories written down to net realisable value	-	(174)	-	(174)
Loss on disposal of other investment	-	-	(20)	-
Property, plant and equipment written off	-	(28)	-	(1,126)
Reversal/(Addition) of provision for warranties (net)	920	(53)	638	(300)
Provision of financial liabilities				
Reversal of inventories written off	-	2,106	-	2,106
Rental income	3	3	12	12