GLOBALTEC FORMATION BERHAD

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

SECOND QUARTERLY REPORT
FINANCIAL YEAR 2024

HIGHLIGHTS

- **The Group's net profit almost doubles to RM2.4 million quarter on quarter, on improving gross profit margins and higher contribution from associate**
- **Dividend per share of 1.1 sen in respect of financial year 2023 paid during the quarter**
- **Cash/Cash equivalents increased to RM63.9 million from last financial year end**
- **Net operating cash inflow of RM20 million**
- **Net assets per share at RM1.034**
- **Gearing at 0.03 times**

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

	Current quarter 31.12.2023 RM'000	Preceding year corresponding quarter 31.12.2022 RM'000	Current period 31.12.2023 RM'000	Preceding year corresponding period 31.12.2022 RM'000
Revenue	47,767	56,270	97,383	108,658
Cost of sales	(37,358)	(43,361)	(76,929)	(84,047)
Gross profit	10,409	12,909	20,454	24,611
Other operating expenses	(9,118)	(8,571)	(17,075)	(18,184)
Other operating income	170	134	483	1,925
Results from operating activities	1,461	4,472	3,862	8,352
Finance income	330	86	651	240
Finance costs	(186)	(98)	(697)	(446)
Share of profit of associate	705	220	524	263
Profit before tax	2,310	4,680	4,340	8,409
Tax expense	(625)	(1,777)	(1,449)	(2,647)
Profit for the period	1,685	2,903	2,891	5,762
Other comprehensive expense, net of tax				
Foreign currency translation differences for foreign operations	(3,662)	(7,975)	(4,207)	(1,719)
Total comprehensive (expense)/income for the period	(1,977)	(5,072)	(1,316)	4,043
Profit/(Loss) attributable to:				
Owners of the Company	2,381	3,037	3,707	6,066
Non-controlling interests	(696)	(134)	(816)	(304)
Profit for the period	1,685	2,903	2,891	5,762
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(312)	(3,344)	(3)	3,932
Non-controlling interests	(1,665)	(1,728)	(1,313)	111
Total comprehensive (expense)/income for the period	(1,977)	(5,072)	(1,316)	4,043
Basic earnings per ordinary share (sen)	0.885	1.128	1.377	2.254
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 2023)

Condensed unaudited consolidated statement of financial position as at 31 December 2023

	As at 31.12.2023 RM'000	Audited 30.6.2023 RM'000
Non-current assets		
Property, plant and equipment	62,416	64,366
Right-of-use assets	33,026	34,271
Exploration and evaluation assets	126,533	125,721
Other investments	53	53
Other financial assets	1,292	1,939
Investment property	13,605	13,605
Intangible assets	26,024	26,239
Investment in associate	20,605	20,081
Total non-current assets	283,554	286,275
Current assets		
Biological assets	244	282
Receivables, deposits and prepayments	26,354	31,653
Inventories	30,372	38,935
Contract assets	3,436	4,966
Other investments	1,779	2,493
Current tax assets	2,057	2,108
Cash and cash equivalents	63,873	57,355
Total current assets	128,115	137,792
TOTAL ASSETS	411,669	424,067
Equity attributable to owners of the Company		
Share capital	643,671	643,671
Business combination deficit	(157,064)	(157,064)
Reserves	(208,319)	(205,359)
	278,288	281,248
Non-controlling interests	44,510	45,912
Total equity	322,798	327,160
Long term and deferred liabilities		
Borrowings	381	572
Lease liabilities	2,353	3,017
Deferred income	2,498	2,713
Deferred tax liabilities	10,388	10,881
Total long term and deferred liabilities	15,620	17,183
Current liabilities		
Payables and accruals	39,206	43,572
Lease liabilities	1,930	2,268
Tax liabilities	112	231
Deferred income	431	431
Provisions	28,320	28,718
Borrowings	3,252	4,504
Total current liabilities	73,251	79,724
Total liabilities	88,871	96,907
TOTAL EQUITY AND LIABILITIES	411,669	424,067
Net assets per share attributable to owners of the Company (RM)	1.034	1.045

(The condensed unaudited consolidated statement of financial position should be read in conjunction with the Annual Report for the year ended 30 June 2023)

Condensed unaudited consolidated statement of changes in equity for the financial period ended 31 December 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 2023	643,671	10,788	(44,479)	(157,064)	(171,665)	281,251	45,909	327,160
Total comprehensive (expense)/income for the year	-	(3,710)	-	-	3,707	(3)	(1,313)	(1,316)
Dividend paid to owners of the Company	-	-	-	-	(2,960)	(2,960)	-	(2,960)
Dividend paid to non-controlling interest by a subsidiary	-	-	-	-	-	-	(86)	(86)
At 31 December 2023	643,671	7,078	(44,479)	(157,064)	(170,918)	278,288	44,510	322,798

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

(The condensed unaudited consolidated statement of changes in equity should be read in conjunction with the Annual Report for the year ended 30 June 2023)

Condensed unaudited consolidated statement of cash flows for the financial period ended 31 December 2023

	Current period 31.12.2023 RM'000	Preceding year corresponding period 31.12.2022 RM'000
Cash flows from operating activities		
Profit before tax	4,340	8,409
Adjustments for:		
Amortisation of customer relationships	197	197
Amortisation of development costs	33	17
Amortisation of government grant	(216)	(136)
Bearer plants written off	909	-
Changes in fair value of other investments	726	249
Depreciation	5,073	4,632
Fair value changes on biological assets	38	857
Finance costs	697	446
Finance income	(651)	(240)
Provision for warranties (net)	26	53
Share of profit of associate	(524)	(263)
Unrealised foreign exchange loss	266	295
Operating profit before working capital changes	10,914	14,516
Changes in working capital:		
Contract assets	1,530	(456)
Inventories	8,017	1,462
Payables and accruals	(3,950)	1,942
Receivables, deposits and prepayments	5,639	(3,640)
Cash generated from operations	22,150	13,824
Warranties paid	(28)	(66)
Taxation paid (net)	(1,977)	(2,869)
Net cash generated from operating activities	20,145	10,889

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

	Current period 31.12.2023 RM'000	Preceding year corresponding period 31.12.2022 RM'000
Cash flows from investing activities		
Exploration and evaluation expenditure incurred	(2,721)	(2,612)
Interest received	651	240
Purchase of property, plant and equipment	(3,292)	(909)
Subscription of an associate	-	(20,000)
Net cash used in investing activities	(5,377)	(23,281)
Cash flows from financing activities		
Dividends paid to shareholders	(2,960)	(4,844)
Dividends paid to non-controlling interest	(86)	-
Interest paid	(697)	(446)
Repayment of bank borrowings – net	(2,441)	(3,444)
Net cash used in financing activities	(6,184)	(8,734)
Net increase/(decrease) in cash and cash equivalents	8,584	(21,126)
Cash and cash equivalents at beginning of period	57,355	81,742
Effect of foreign exchange fluctuation on cash and cash equivalents	(2,066)	(361)
Cash and cash equivalents at end of period	63,873	60,255

	As at 31.12.2023 RM'000	As at 31.12.2022 RM'000
Cash and bank balances	26,044	34,831
Short term placement funds	8,955	16,550
Deposits with licensed banks	28,922	8,874
	63,873	60,255

(The condensed unaudited consolidated statement of cash flows should be read in conjunction with the Annual Report for the year ended 30 June 2023)

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 2023.

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 2024

- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendment to MFRS 107, *Statement of Cash Flows and MFRS 7, Financial Instruments: Disclosures – Supplier Finance Arrangements*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

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, where applicable:

- from the annual period beginning on 1 July 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024; and
- from the annual period beginning on 1 July 2025 for the amendments that are effective for annual periods beginning on or after 1 January 2025.

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 period.

A5. Seasonal and cyclical factors

There were no material seasonal or cyclical factors affecting the income and performance of the Group.

A6. Changes in estimates

There were no changes in the estimates of amounts which give a material effect for the financial period ended 31 December 2023.

A7. Dividends

The Company has on 20 November 2023, paid a dividend of 1.1 sen per share, totalling RM2.96 million, in respect of the previous financial year ended 30 June 2023.

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

There were no material changes in the Group structure for the financial period and up to the date of this report.

A10. Capital commitments

Contracted but not provided for capital commitments as at 31 December 2023 were as follows:

	RM'000
In respect of:	
- Property, plant and equipment	3,105
- Exploration and development	4,948
Total	8,053

A11. Contingent liabilities/assets

As at 31 December 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 RM3.1 million was outstanding at the period end.

A12. Debt and equity securities

There were no issuances, cancellations, share splits, repurchases and repayments of the Company's debt or equity securities for the financial period ended 31 December 2023.

A13. Segmental information

Analysis by business segments being the primary basis of the Group's segmental reporting for the financial period ended 31 December 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	93,309	-	4,074	-	-	97,383
Inter-segment revenue	-	-	-	919	(919)	-
Total revenue	93,309	-	4,074	919		97,383
Segment profit/(loss)	6,811	(1,505)	(658)	(1,304)	472	3,816
Share of profit of associate						524
Consolidated profit before tax						4,340
Segment assets	198,960	130,939	39,049	63,907	(67,721)	365,134
Investment in associate						20,605
Customer relationships						3,749
Goodwill on consolidation						22,181
Consolidated total assets						411,669

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 is involved in the food and beverage retail industry.

The Group's revenue for the current quarter decreased by RM8.5 million versus the preceding year corresponding quarter, due mainly to decrease in the revenue of the IMS and Resources segments by RM8.3 million and RM0.2 million respectively. Revenue from the PMST division declined by RM6.6 million, attributable to weak demand caused by macroeconomic headwinds, especially semiconductor market cyclical downturn and also overstocking by customers in prior financial years. The Automotive division recorded a reduction in revenue of RM1.7 million due to the 'end of life' for a certain car model and also weak demand during the quarter. In addition revenue from the Resources segment decreased as a result of a decrease in both the average FFB selling prices and FFB production.

Comparing current quarter with preceding year corresponding quarter, the net profit of the Group declined from RM3.0 million to RM2.4 million due mainly to a decrease of RM0.8 million and RM0.4 million in the net profit of the IMS and Resources segments respectively, which is in tandem with the decline in their revenue. In addition, the Resources segment, incurred bearer plants written off of RM0.5 million (in line with its ongoing re-planting program) for the current quarter which further widened its net loss. This decline in Group profits was counter-weighed by an increase of RM0.5 million in the share of profit from associate.

The Group's cash and cash equivalents increased 11% or RM6.5 million from RM57.4 million as at 30 June 2023 to RM63.9 million as at 31 December 2023, underpinned by higher operating cash inflows for the current period vis-à-vis the preceding year corresponding period. Comparing as at 31 December 2023 with as at 30 June 2023, the Group's net assets per share has decreased from RM1.045 to RM1.034 due mainly to dividend paid to shareholders of RM3 million and foreign exchange translation losses of RM3.7 million, but was partially offset by the net profit for the period of RM3.7 million. Gearing remained healthy and further reduced to 0.03 times from 0.04 times.

B2. Material changes from the preceding quarter

Revenue of the Group decreased marginally by RM1.8 million from RM49.6 million to RM47.8 million quarter on quarter. This was attributable to a decline in the revenue of RM2.3 million from the Automotive division underpinned by the 'end of life' for a certain car model and also weak demand during the quarter. This was partially offset by an increase of RM0.5 million in the revenue from the PMST division due to an uptick in demand. The revenue from the Resources segment was consistent at RM2 million quarter on quarter as the decrease in average FFB prices was offset by an increase in FFB production.

The Group's net profit for the current quarter almost doubles from the previous quarter to register at RM2.4 million from RM1.3 million in the preceding quarter. This was attributable to the Group recording a positive turnaround of RM0.9 million, from a share of loss from associate of RM0.2 million to a share of profit of RM0.7 million quarter on quarter on the back of improving customer sentiment. In addition, the PMST division registered an increase of RM0.6 million in its net profit in line with the increase in its revenue. The Automotive division however, as a result of a decrease in its revenue, registered a reduction in net profit of RM0.2 million. In addition, the Resources segment's net loss widened by RM0.2 million due mainly to lower average FFB prices.

B3. Prospects

For 2024, the Malaysia economy is projected to grow within the range of 4.0% -5.0%, with the growth envisaged to be broad-based. Geo-political tensions and conflicts continue to stifle growth, demand and increase inflation risk. In addition, upcoming elections around the world may bring about uncertainties and may affect markets negatively. 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. Nevertheless, the Malaysian economy remains supported by mainly strong domestic demand.

Malaysia's new motor vehicle sales are expected to decline by 7.5% in 2024, said the Malaysian Automotive Association ("MAA"), following record sales of 799,731 units in 2023. MAA's weaker forecast is due to several factors, including global economic uncertainty due to conflicts and geopolitical tensions, and a slight slowdown in global economic growth forecasted by the International Monetary Fund to 2.9% in 2024 from 3% in 2023. Factors that would support sales in 2024 are improved supply chains and ongoing new model launches, including many new electrified vehicles (xEV), at affordable and competitive prices, which will entice and sustain buying interest among consumers, as well as accommodative car-purchase financing rate. However, consumer spending may slow down due to concerns over targeted subsidy rationalisation, the high cost of living, implementation of the proposed high-value goods tax, and higher service tax rates for some services, including motor vehicle repair and maintenance.

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. In addition, strategies and action plans are in place to actively strengthen customer relationships, regain and increase market share especially for the Automotive division.

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 expected to be completed by end March 2024, 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 and the environmental permit being secured in September 2023, for the Tanjung Enim Gross Split PSC, 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 December 2023 were all secured. The borrowings denominated in foreign currency and RM as at 31 December 2023 were as follows:

	RM'000
Foreign Currency:	
- IDR265,265,006 @ IDR:RM of 3,356:1	79
RM	3,554
Total Group Borrowings	3,633

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 period is as follows:

	Current quarter 31.12.2023 RM'000	Current period 31.12.2023 RM'000
Income tax expense		
Malaysia - current year	489	1,011
- overprovision in prior year	-	(32)
Overseas - current	420	955
	909	1,934
Deferred tax expense		
Malaysia - current year	(284)	(446)
- over provision in prior year	-	(40)
Total tax expense	625	1,449

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 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 financial period was computed as follows:

	Current quarter	Current period
Profit attributable to owners of the Company (RM'000)	2,381	3,707
Weighted average number of ordinary shares ('000)	269,120	269,120
Basic earnings per share (sen)	0.885	1.377

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 follows:

	RM'000
Carrying amount	
At 1 July 2023	125,721
Effect of movements in exchange rates	(1,909)
Additions	2,721
At 31 December 2023	126,533

Tanjung Enim PSC

The Energy segment secured the environmental permit dated 26 September 2023 from the Indonesian Ministry of Environment and Forestry for the Tanjung Enim POD 1. With the approval, the Energy segment is in a position to work towards the final preparations for early gas production/sales for the Tanjung Enim asset. The Energy segment is awaiting the approval of gas price and gas volume allocation from the Indonesian Ministry of Energy and Mineral Resources ("MEMR"), before commencing gas sales. The Energy segment will commence with a modest phase of initial gas sales, estimated at one million standard cubic feet per day ("mmscfd") of coal bed methane ("CBM") and subsequently progressing production to 25 mmscfd of gas as approved under the Tanjung Enim POD 1. On 10 February 2023, the Energy segment signed a Heads of Agreement with PT Laras Ngarso Gede ("Laras Energy"), which was later extended on 3 January 2024, for the supply and sale commitment by the Energy segment and the purchase commitment by Laras Energy, of CBM produced from Tanjung Enim's POD 1. The Energy segment is continuing to develop its CBM market surveys and business development program and continuing to identify additional end users in South Sumatra capable of converting their generators and trucks from diesel-based to gas power-based. The Energy segment has identified locations for four early gas wells, a production facility and the subsequent flow lines for the early generation of gas at Tanjung Enim. The Energy segment will complete the acquisition of the identified sites and carry out land clearing and drilling site preparation activities on these identified locations in due course.

On 23 May 2023 the Directorate General of Oil & Gas from MEMR ("Migas"), announced a new simplified gross revenue split proposal of 95% for Contractor and 5% for Government for the unconventional gas industry, to enhance project profitability, flexibility and technological innovation. This represents an improvement of about 9% in the split for the contractor, on the previous framework. Further detail on this proposed split has yet to be announced by the Government.

Muralim PSC

The Energy segment continues to undertake the dewatering process on MU-005TW well to determine its gas production data. The Energy segment, during the current quarter has activated an existing well (MU-006), which is adjacent to MU-005TW, to accelerate the dewatering process and expedite gas flows. The workover on well MU-006 was carried out on 29 November 2023. After the pump was replaced and a function test was carried out, the activation of the existing MU-006 well was completed on 6 December 2023. Thereafter, dewatering activities at the MU-006 well commenced and are ongoing.

The Energy segment has been granted an additional exploration period of 19 months to 29 March 2025 from MEMR. The extension will enable the Energy segment to complete the exploration commitments and acquire necessary production data, which will then facilitate the submission of a POD proposal, for the Muralim PSC, the final step required before entering the development phase for the asset.

Muara Enim PSC

Due to the anticipated increase in contractor's share of gross revenue to 95% under the revised gross split scheme advocated by MEMR, as mentioned above, the Energy segment submitted an application on 3 August 2023 to the Special Task Force For Upstream Oil and Gas Business Activities ("SKK Migas"). This conversion is expected to underpin a material improvement to the revenue profile of the project and allow greater flexibility in carrying out the Energy segment's development activities. The Energy segment has received positive response from SKK Migas, indicating this application will be processed after the release of the detailed guidance and rules of the new simplified gross split scheme. A workshop and field visit were held with SKK Migas and Migas from 8 November to 10 November 2023 to discuss the Energy segment's request for gross split conversion and extension of the exploration period. SKK Migas and Migas have both indicated that they will recommend MEMR to extend the exploration period by 20 months. Currently, the application is awaiting approval from MEMR.

Muara Enim II

In the previous quarter, the Energy segment undertook a geological study and preliminary survey for three selected core hole well locations to fulfil the PSC's firm commitments. From the geological study, it appears that the coal seam of the Muara Enim II PSC is contiguous to our Tanjung Enim PSC, which is our most advanced CBM asset and which is in the midst of being developed. The result from the drilling of these core hole wells will confirm the coal seam lateral distribution hence the extensiveness of the gas resource. The coring operation is on track to complete before the exploration period deadline. NuEnergy is currently preparing the drilling program and the environmental permit for coring activities to complete by 29 January 2025.

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 31.12.2023 RM'000	Preceding year corresponding quarter 31.12.2022 RM'000	Current period 31.12.2023 RM'000	Preceding year corresponding period 31.12.2022 RM'000
Amortisation of customer relationships	(98)	(98)	(197)	(197)
Amortisation of development costs	(26)	(9)	(33)	(17)
Amortisation of government grant	108	68	216	136
Bearer plants written off	(481)	-	(909)	-
Changes in fair value of other investments	(164)	305	(726)	(249)
Depreciation	(2,519)	(2,237)	(5,073)	(4,632)
Fair value changes on biological assets	(30)	75	(38)	(857)
Foreign exchange (loss)/gain	(458)	(1,335)	85	500
Provision for warranties (net)	(17)	(35)	(26)	(53)