ACOUSTECH BERHAD (Co. No: 496665-W)
INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019
The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual quarter		Cumulative quarter	
	Current year quarter 31/3/19 RM'000	Preceding year corresponding quarter 31/3/18 RM'000	Current year to date 31/3/19 RM'000	Preceding year corresponding period 31/3/18 RM'000
Revenue	**4,575**	6,210	**4,575**	6,210
Operating expenses	**(4,401)**	(7,582)	**(4,401)**	(7,582)
Other operating income	**85**	83	**85**	83
Profit/(Loss) from operations	**259**	(1,289)	**259**	(1,289)
Finance costs	**(14)**	(13)	**(14)**	(13)
Total profit/(loss) before tax	**245**	(1,302)	**245**	(1,302)
Tax expense	**(30)**	(41)	**(30)**	(41)
Total profit/(loss) for the period	**215**	(1,343)	**215**	(1,343)
Attributable to:				
Owners of the parents	**215**	(1,343)	**215**	(1,343)
Non-controlling interests	**-**	-	**-**	-
	215	(1,343)	**215**	(1,343)
Profit/(Loss) per share attributable to equity holders of the parent:				
Basic (sen)	**0.1**	(0.8)	**0.1**	(0.8)

(The notes set out on pages 6 to 13 form an integral part of and should be read in conjunction with this interim financial report)

ACOUSTECH BERHAD (Co. No: 496665-W)
INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual quarter		Cumulative quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	31/3/19 RM'000	31/3/18 RM'000	31/3/19 RM'000	31/3/18 RM'000
Profit/(Loss) for the period	**215**	(1,343)	**215**	(1,343)
Total comprehensive loss	**215**	(1,343)	**215**	(1,343)
Attributable to:				
Owners of the parents	**215**	(1,343)	**215**	(1,343)
Non-controlling interests	**-**	-	**-**	-
	215	(1,343)	**215**	(1,343)

(The notes set out on pages 6 to 13 form an integral part of and should be read in conjunction with this interim financial report)

ACOUSTECH BERHAD (Co. No: 496665-W)
INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019
(The firgures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31/3/19 RM'000	31/12/18 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,607**	1,272
Investment property	**2,500**	2,500
Right-of-use assets	**117**	-
Goodwill	**21,469**	21,469
Amount owing by an associate	**3,254**	3,254
	28,947	28,495
Current assets		
Inventories	**72,321**	70,859
Trade and other receivables	**23,660**	25,742
Contract assets	**1,437**	3,742
Amount owing by an associate	**897**	-
Tax recoverable	**1,371**	1,258
Cash, bank balances and deposits	**2,914**	4,975
	102,600	106,576
TOTAL ASSETS	**131,547**	135,071
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	**99,503**	99,503
Reserves	**3,286**	3,071
TOTAL EQUITY	**102,789**	102,574
Non-current liabilities		
Long term borrowings	**10,800**	5,983
Hire purchase liabilities	**522**	599
Long term lease liabilities	**7**	-
Deferred taxation	**656**	626
	11,985	7,208
Current Liabilities		
Trade and other payables	**8,102**	13,558
Contract liabilities	**4,106**	4,800
Short term borrowings	**4,301**	6,825
Hire purchase liabilities	**154**	106
Short term lease liabilities	**110**	-
	16,773	25,289
TOTAL LIABILITIES	**28,758**	32,497
TOTAL EQUITY AND LIABILITIES	**131,547**	135,071
Net assets per share attributable to owners of the parent (RM)	0.53	0.53

(The notes set out on pages 6 to 13 form an integral part of and should be read in conjunction with this interim financial report)

ACOUSTECH BERHAD (Co. No : 496665-W)
INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	31/3/19 RM'000	31/3/18 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	**245**	(1,302)
Net adjustments for non cash items	**75**	(4)
Operating profit/(loss) before working capital changes	**320**	(1,306)
Net changes in working capital	**(3,127)**	(13,380)
Cash used in operations	**(2,807)**	(14,686)
Interest paid	**(109)**	(246)
Tax paid	**(113)**	(342)
Net cash used in operating activities	**(3,029)**	(15,274)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	**40**	83
Proceeds from disposal of a subsidiary, net of cash and cash equivalents of subsidiary disposed of	**-**	5,713
Purchase of property, plant and equipment	**(416)**	(3)
Advances to an associate	**(897)**	(680)
Net cash from/(used in) investing activities	**(1,273)**	5,113
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease liabilities paid	**(23)**	-
Repayment of:		
- hire purchase liabilities	**(29)**	(27)
- term loans and bridging loans	**2,293**	(1,720)
Net cash used in financing activities	**2,241**	(1,747)
Net decrease in cash and cash equivalents	**(2,061)**	(11,908)
Cash and cash equivalents at beginning of financial period	**4,975**	16,955
Cash and cash equivalents at end of financial period	**2,914**	5,047
Cash and cash equivalents of continuing operations	**2,914**	5,047
Cash and cash equivalents of discontinued operations	**-**	-
Cash and cash equivalents at end of financial period	**2,914**	5,047

(The notes set out on pages 6 to 13 form an integral part of and should be read in conjunction with this interim financial report)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent				
	Non-distributable			Distributable	
	Share capital RM'000	**Share premium RM'000**	**Treasury shares RM'000**	**Retained profits RM'000**	**Total equity RM'000**
At 1 January 2019	**99,503**	**-**	**(92)**	**3,163**	**102,574**
Profit for the financial period	**-**	**-**	**-**	**215**	**215**
At 31 March 2019	**99,503**	**-**	**(92)**	**3,378**	**102,789**
At 1 January 2018	96,253	-	(8,232)	11,744	99,765
Loss for the financial period	-	-	-	(1,343)	(1,343)
At 31 March 2018	96,253	-	(8,232)	10,401	98,422

(The notes set out on pages 6 to 13 form an integral part of and should be read in conjunction with this interim financial report)

1. Accounting Policies

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 "Interim Financial Reporting", International Financial Reporting Standards and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2018, except for the following Standards, Amendments and IC interpretation which are effective from the annual period beginning on or after 1 January 2019 which are applicable to the Group:

MFRSs/ Amendments/Interpretations	**Effective date**
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 119 Plan *Amendment, Curtailment or Settlement*	1 January 2019

The adoption of these Standards, Amendments and IC interpretation have no material impact on the Interim Financial Report, except for the following:

MFRS 16 *Leases*

The Group has adopted MFRS 16 *Leases* and applied this Standard retrospectively during the financial period. In accordance with the transition requirements under the Appendix C, paragraph 5(b) of this Standard, comparatives are not restated. As a result of the adoption of MFRS 16 *Leases*, the existing requirements for a lessee to distinguish between finance lease and operating lease under the MFRS 117 *Leases* are no longer required. This Standard introduces a single accounting model, requiring the lessee to recognise the right-of-use of the underlying lease asset and the future lease payments liabilities in the statement of financial position. Right-to-use assets depreciated throughout the lease period whereas lease liability is accreted to reflect interest and is reduced to reflect lease payments made. For a lessor, MFRS 16 *Leases* continue to allow the lessor to classify leases as either operating leases or finance leases and to account for these two types of leases differently.

The following table presents the impact of changes to the consolidated Statements of Financial Position of the Group resulting from the adoption of MFRS 16 *Leases* as at 1 January 2019:

	Note	As at 31 December 2018 RM'000	Effects of MFRS 16 RM'000	As at 1 January 2019 RM'000
Non-current assets				
Right-of-use assets	**(a)**	**-**	**109**	**109**
Non-current liabilities				
Long term lease liabilities	(b)	-	27	27
Current liabilities				
Short term lease liabilities	(b)	-	82	82
Total lease liabilities		**-**	**109**	**109**

Note:

(a) The right-of-use assets comprise buildings leased and recognised during the period. Subsequent to initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any remeasurement of lease liabilities.

(b) The long term and short term lease liabilities arising from the buildings leased are recognised and discounted using the Group's approximate average borrowing rate of 6.85%. Subsequent to initial recognition, the Group measures the lease liabilities with inclusion of interest on the lease liabilities, reduces the carrying amounts to reflect lease payments made and remeasures the carrying amounts to reflect any reassessment or lease modifications.

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ('MASB') but have not been adopted by the Group and the Company.

MFRSs/ Amendments/Interpretations	**Effective date**
Amendments to *References to the Conceptual Framework in MFRS Standards*	1 January 2020
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108 *Definition of Material*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture*	Deferred

The Group is in the process of assessing the impact of implementing these Amendments, Clarifications and Standards, since the effects would only be observable for future financial years.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2018 was not qualified.

3. Segmental Information

	Property development & construction RM'000	Investment holding RM'000	Total RM'000
3-months ended 31 March 2019			
Revenue			
External revenue	**4,575**	**-**	**4,575**
Results			
Operating profit/(loss)	**743**	**(569)**	**174**
Finance costs	**(5)**	**(9)**	**(14)**
Interest income	**2**	**37**	**39**
Other income	**46**	**-**	**46**
Profit/(Loss) before tax	**786**	**(541)**	**245**
Tax expense			**(30)**
Profit for the period			**215**
3-months ended 31 March 2018			
Revenue			
External revenue	**6,210**	**-**	**6,210**
Results			
Operating loss	**(749)**	**(623)**	**(1,372)**
Finance costs	**(2)**	**(11)**	**(13)**
Interest income	**48**	**35**	**83**
Loss before tax	**(703)**	**(599)**	**(1,302)**
Tax expense			**(41)**
Loss for the period			**(1,343)**

4. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income and cash flow during the current quarter and financial year-to-date.

5. Changes in Estimates

There were no significant changes in estimates of amount reported in prior interim period or prior financial year that have a material effect in the current quarter and financial year-to-date.

6. Comments about Seasonal or Cyclical Factors

The Group's operations are not subject to seasonal or cyclical factors.

7. Dividends Paid

The Board of Directors has not paid any dividend for the current quarter (31 December 2018: Nil).

8. Carrying Amount of Revalued Assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

9. Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share cancellations and resale of treasury shares for the current financial year-to-date.

10. Changes in Composition of the Group

There was no change in the composition of the Group for the current financial year to-date under review except for as disclosed in Note 19.

11. Changes in Contingent Liabilities or Contingent Assets

The Company has an existing corporate guarantee amounting to RM37.5 million issued to a licensed bank for banking facilities granted to a subsidiary company. As at 31 March 2019, the Company is contingently liable for the amount of banking facilities utilised by the subsidiary company totalling RM8.0 million.

During the period under review, the Company issued a new corporate guarantee amounting to RM2.2 million to a licensed bank for new banking facilities granted to a subsidiary company. As at 31 March 2019, the Company is contingently liable for the amount of banking facilities utilised by the subsidiary company totalling RM2.2 million.

In respect of banking facilities granted by a licensed bank to associate company Harum Eco Dormitory Sdn Bhd, the Company is contingently liable up to 30% of the amount of banking facilities utilised by the associate under the proportionate corporate guarantee scheme. As at 31 March 2019, the Company is liable for the amount of RM9.7 million, representing 30% proportion of the RM32.4 million banking facilities utilised and remain outstanding.

12. Subsequent Events

There were no material events subsequent to 31 March 2019 that have not been reflected in the interim report.

13. Review of Performance

For the period under review, the Group generated a turnover of RM4.6 million compared to RM6.2 million in the preceding year. The turnover was mainly attributed to the development progress of Phase 1 terrace factories at Desa 88, Plentong, Johor. There was minimal revenue recognised during the period arising from the construction of dormitories in Permas Jaya, Johor, as the project was completed and delivered vacant possession at end of the preceding year. In the corresponding period of the preceding year, turnover was contributed purely by the construction progress of the said dormitories. For the period, the Group posted a pre-tax profit of RM0.2 million, an improvement compared to the RM1.3 million pre-tax loss posted in the corresponding period of the preceding year.

14. Material Change In Profit Before Tax For The Current Quarter As Compared With The Immediate Preceding Quarter

For the quarter under review, the Group registered a pre-tax profit of RM0.2 million mainly attributed to the profits recognised on the back of the progress of development of Phase 1 terrace factories at Desa 88 set off by the Group's overheads. The marginal pre-tax profit is an improvement over the pre-tax loss of RM5.3 million posted for the immediate preceding quarter. In the preceding quarter, the Group made provisions for impairment in amounts due from associate and in deposits receivable totalling RM2.3 million in compliance with the requirements of MFRS 9 *Financial Instruments* as well as impairment on goodwill amounting to RM2.0 million.

15. Prospects for the current financial year

The Group expects the development of Phase 1 terrace factories at Desa 88 to be completed by end of the year. As at end of the quarter under review, the project was at approximately 43% progress of completion. With the targeted completion of Phase 1 by year end and the Group's plan to launch Phase 2 terrace factories in the third quarter, the Board is hopeful Group's profitability for the year will improve. Subsequent to the acquisition of the development rights to the proposed residential tower in Melaka, the Group has been actively seeking to further increase its land bank. Concurrently, following the completion of the dormitories' construction in the preceding year, the Group is also vying to undertake new construction contracts to enhance performance of the Group. The Board takes cognisance of the recent initiative by the Government to reduce the overnight policy rate and is hopeful the measure will stimulate recovery of the economy, particularly the property industry.

16. Deviation from Profit Forecast and Profit Guarantee

The Group did not provide any profit forecast in a public document and therefore, this note is not applicable.

17. (i) Profit/(Loss) Before Tax

The profit/(loss) before tax of the Group is arrived at after charging/(crediting):

	Current Quarter 31/3/19 RM'000	Preceding Year Corresponding Quarter 31/3/18 RM'000	Cumulative Quarter 31/3/19 RM'000	Preceding Year Cumulative Quarter 31/3/18 RM'000
Depreciation and amortisation of property, plant and equipment	**81**	66	**81**	66
Depreciation of right-of-use assets	**19**	-	**19**	-
Interest income	**(40)**	(83)	**(40)**	(83)
Interest expense	**11**	12	**11**	12

(ii) Cash and Cash Equivalents

The cash and cash equivalents at end of the financial year comprise of the following:

	Current year to date RM'000 31/3/19	Preceding year to date RM'000 31/3/18
Short term funds	**-**	9
Cash, bank balances and deposits	**2,914**	5,038
	2,914	5,047

18. Income Tax Expense

The taxation of the Group comprises the following:

	Current Quarter 31/3/19 RM'000	Preceding Year Corresponding Quarter 31/3/18 RM'000	Cumulative Quarter 31/3/19 RM'000	Preceding Year Cumulative Quarter 31/3/18 RM'000
In respect of current period				
- deferred tax	**30**	41	**30**	41
	30	41	**30**	41

The effective tax rate for the financial year-to-date is lower than the statutory tax rate mainly due to the availability of unutilised losses for set off against the taxable profits of a subsidiary and the loss position of some subsidiaries. The tax charge for the period is in respect of deferred tax liabilities provision on interest charged to subsidiaries.

19. Corporate Proposals

(a) The Board of Directors of AB announced on 6 December 2017 that, Teras Eco Sdn. Bhd. (“TESB”), a wholly-owned subsidiary had entered into a Joint Development Agreement (“JDA”) with YPJ Builders Sdn. Bhd. where TESB has committed to the development of 84 units of two and three storey shop offices on 19.328 acres of land held under Lot H.S.(D) 36608 PTD 2313 and H.S.(D) 36609 PTD 2314 located in Mukim Pantai Timur, District of Kota Tinggi, State of Johor (“Land”).

(b) On 28 December 2017, the Company announced that its wholly-owned subsidiary, Teras Eco Resources Sdn. Bhd. (“TERSB”) had executed two (2) separate Memorandums of Understanding (“MOUs) as follow:

(i) MOU between TERSB and Innocashz (M) Sdn. Bhd. for a proposed joint venture where TERSB plans to develop a 5-storey luxury hotel on 1.2 acres of leasehold land held under H.S.(D) 73497 PT 833 located in Kawasan Bandar XLI, District of Melaka Tengah, State of Melaka; and

(ii) MOU between TERSB and Goldsand JV Sdn. Bhd. for a proposed joint venture where TERSB plans to develop a block of affordable serviced apartment with approximately 152 units on 3.9 acres of leasehold land held under H.S.(M) 593 PT 11425 located in Mukim Krubong, District of Melaka Tengah, State of Melaka.

Save for the above, there were no other corporate proposals announced which remained incomplete as at the date of issue of this interim report.

20. Group Borrowings and Debt Securities

Group borrowings, which are denominated in Ringgit Malaysia, as at 31 March 2019 are as follows:

(a) **Short term borrowings**

	RM’000
Unsecured	
Hire purchase	154
Secured	
Term loans & bridging finance	4,301
	4,455

(b) **Long term borrowings**

	RM’000
Unsecured	
Hire purchase	522
Secured	
Term loans & bridging finance	10,800
	11,322

21. Material Litigation

The Group does not have any material litigation as at the date of this report.

22. Dividend Payable

The Board of Directors has not recommended any dividend for the current quarter.

23. Earnings Per Share

Basic earnings per share

	Current Quarter 31/3/19	Preceding Year Corresponding Quarter 31/3/18	Cumulative Quarter 31/3/19	Preceding Year Cumulative Quarter 31/3/18
Profit/(Loss) attributable to equity holders of the parent (RM'000)	**215**	(1,343)	**215**	(1,343)
Weighted average number of shares in issue ('000)	**194,535**	167,138	**194,535**	167,138
Basic EPS (sen)	**0.11**	(0.8)	**0.11**	(0.8)