



ACOUSTECH BERHAD (Co. No: 496665-W)
INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual quarter		Cumulative quarter	
	Current year 30/6/18 RM'000	Preceding year corresponding quarter 30/6/17 RM'000	Current year to date 30/6/18 RM'000	Preceding year corresponding period 30/6/17 RM'000
Revenue	12,543	8,018	18,753	17,269
Operating expenses	(12,114)	(13,017)	(19,695)	(24,263)
Other operating income	40	435	122	1,170
Profit/(Loss) from operations	<u>469</u>	<u>(4,564)</u>	<u>(820)</u>	<u>(5,824)</u>
Finance costs	(11)	(203)	(24)	(350)
Share of results in associate	-	(17)	-	(62)
Total profit/(loss) before tax	<u>458</u>	<u>(4,784)</u>	<u>(844)</u>	<u>(6,236)</u>
Tax expense	(42)	1,075	(83)	1,024
Total profit/(loss) for the period	<u>416</u>	<u>(3,709)</u>	<u>(927)</u>	<u>(5,212)</u>
Attributable to:				
Owners of the parents	416	(3,709)	(927)	(5,212)
Non-controlling interests	-	-	-	-
	<u>416</u>	<u>(3,709)</u>	<u>(927)</u>	<u>(5,212)</u>
Earnings/(loss) per share attributable to equity holders of the parent:				
Basic (sen)	<u>0.2</u>	<u>(2.2)</u>	<u>(0.6)</u>	<u>(3.1)</u>

(The notes set out on pages 6 to 14 form an integral part of and should be read in conjunction with this interim financial report)



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INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018
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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
	30/6/18 RM'000	30/6/17 RM'000	30/6/18 RM'000	30/6/17 RM'000
Profit/(Loss) for the period	416	(3,709)	(927)	(5,212)
Other comprehensive income/(loss), net of tax:				
Fair value of available-for-sale financial assets	-	-	-	-
Reclassification adjustment on disposal of available-for-sale financial assets	-	-	-	-
Total comprehensive income	416	(3,709)	(927)	(5,212)
Attributable to:				
Owners of the parents	416	(3,709)	(927)	(5,212)
Non-controlling interests	-	-	-	-
	416	(3,709)	(927)	(5,212)

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INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30/6/18 RM'000	31/12/17 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,205	1,246
Investment property	2,800	2,800
Goodwill	23,469	23,469
Inventories	42,734	39,809
Deferred tax assets	11	11
	70,219	67,335
Current assets		
Inventories	10,637	8,606
Trade and other receivables	39,514	33,039
Tax recoverable	890	326
Short term funds	9	9
Cash, bank balances and deposits	432	12,060
Non-current assets classified as held for sale	-	18,860
	51,482	72,900
TOTAL ASSETS	121,701	140,235
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	96,253	96,253
Reserves	2,585	3,512
TOTAL EQUITY	98,838	99,765
Non-current liabilities		
Long term borrowings	13,496	13,496
Hire purchase liabilities	593	633
Deferred taxation	530	447
	14,619	14,576
Current Liabilities		
Trade and other payables	8,080	15,825
Short term borrowings	0	1,720
Hire purchase liabilities	164	89
Non-current liabilities classified as held for sale	-	8,260
	8,244	25,894
TOTAL LIABILITIES	22,863	40,470
TOTAL EQUITY AND LIABILITIES	121,701	140,235
Net assets per share attributable to owners of the parent (RM)	0.56	0.56

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ACOUSTECH BERHAD (Co. No : 496665-W)

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	30/6/18 RM'000	30/6/17 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	(844)	(6,236)
Net adjustments for non cash items	47	(430)
Operating profit/(loss) before working capital changes	<u>(797)</u>	<u>(6,666)</u>
Net changes in working capital	(18,003)	3,987
Cash used in operations	<u>(18,800)</u>	<u>(2,679)</u>
Interest paid	(495)	(516)
Tax paid	(563)	(999)
Net cash used in operating activities	<u>(19,858)</u>	<u>(4,194)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	107	90
Income distribution received from short term funds	0	244
Proceeds from disposal of property, plant and equipment	-	122
Proceeds from disposal of a subsidiary, net of cash and cash equivalents of subsidiary disposed of	5,713	-
Purchase of property, plant and equipment	(3)	(155)
Advances to an associate	(701)	(661)
Construction of investment property	-	(85)
Net cash from/(used in) investing activities	<u>5,116</u>	<u>(445)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of:		
- hire purchase liabilities	(52)	-
- term loans and bridging loans	(1,720)	(2,190)
Net cash used in financing activities	<u>(1,772)</u>	<u>(2,190)</u>
Net decrease in cash and cash equivalents	(16,514)	(6,829)
Effects of exchange rate fluctuations on cash and cash equivalents	-	3
Cash and cash equivalents at beginning of financial period	16,955	27,425
Cash and cash equivalents at end of financial period	<u>441</u>	<u>20,599</u>
Cash and cash equivalents of continuing operations	441	20,599
Cash and cash equivalents of discontinued operations	0	-
Cash and cash equivalents at end of financial period	<u>441</u>	<u>20,599</u>

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INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to equity holders of the parent →				→
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained profits RM'000	
At 1 January 2018	96,253	-	(8,232)	11,744	99,765
Loss for the financial period	-	-	-	(927)	(927)
At 30 June 2018	96,253	-	(8,232)	10,817	98,838
At 1 January 2017	88,911	7,342	(8,232)	25,627	113,648
Loss for the financial period	-	-	-	(5,212)	(5,212)
At 30 June 2017	88,911	7,342	(8,232)	20,415	108,436

(The notes set out on pages 6 to 14 form an integral part of and should be read in conjunction with this interim financial report)

EXPLANATORY NOTES

The figures have not been audited

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 2017.

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 2017.

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 MFRS 4 <i>Applying MFRS 9</i> Financial Instruments with <i>MFRS 4</i> Insurance Contracts	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	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 2017 was not qualified.

EXPLANATORY NOTES
The figures have not been audited
3. Segmental Information

	Property development division RM'000	Investment holding segment RM'000	Audio division (Discontinued operations) RM'000	Total RM'000
6-months ended 30 June 2018				
Revenue				
External revenue	18,753	-	-	18,753
Results				
Operating loss	348	(1,290)	-	(942)
Finance costs	(5)	(19)	-	(24)
Interest income	51	56	-	107
Other income	15	-	-	15
Loss before tax	409	(1,253)	-	(844)
Tax expense				(83)
Loss for the period				(927)
6-months ended 30 June 2017				
Revenue				
External revenue	(1,391)	-	18,660	17,269
Results				
Operating loss	(3,518)	(1,256)	(2,219)	(6,993)
Finance costs	(344)	(3)	(3)	(350)
Unrealised gain on forex	-	-	53	53
Interest income	76	6	252	334
Other income	-	-	782	782
Share of results in an associate	-	(62)	-	(62)
Profit/(Loss) before tax	(3,786)	(1,315)	(1,135)	(6,236)
Tax expense				1,024
Loss for the period				(5,212)

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.

EXPLANATORY NOTES

The figures have not been audited

6. Comments about Seasonal or Cyclical Factors

Sales of the Group are seasonal and are affected by economic conditions in countries in which the products are sold.

7. Dividends Paid

The Board of Directors has not paid any dividend for the current quarter (31 December 2017: 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 20.

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 30 June 2018, the Company is contingently liable for the amount of banking facilities utilised by the subsidiary company totalling RM13.5 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 percent of the amount of banking facilities utilised by the associate under the proportionate corporate guarantee scheme. As at 30 June 2018, the Company is liable for the amount of RM7.1 million, representing 30% proportion of the RM23.6 million banking facilities utilised.

12. Subsequent Events

There were no material events subsequent to 30 June 2018 that have not been reflected in the interim report.

EXPLANATORY NOTES

The figures have not been audited

13. Review of Performance

During the period under review, the Group generated a turnover of RM18.8 million compared to RM17.3 million in the preceding year. The improvement in turnover was attributed to contribution from the construction progress of dormitories in Permas Jaya, Johor, sale of completed properties at Senibong 88 as well as development progress at Desa 88. For the period, the Group posted a pre-tax loss of RM0.8 million, an improvement from the RM5.1 million pre-tax loss recorded 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

The Group registered a pre-tax profit of RM0.5 million for the quarter generated by the development and construction businesses for its dormitory project. The progress of Desa 88 Phase 1 project was delayed in the first quarter but has now received encouraging sales with the maiden Phase 1 contributing positively towards the profitability of the Group in the second quarter. The Group also concluded the sale of 2 units of Senibong 88 factories during the quarter and the net combination has enabled the Group to cover the overheads incurred during the quarter leading to a pre-tax profit of RM0.5 million compared to the pre-tax loss of RM1.3 million posted for the immediate preceding quarter.

15. Prospects for the current financial year

The Group managed to reduce its inventory of completed units at Senibong 88 during the quarter under review through sales. The projects on hand, Desa 88 Phase 1 factories and construction of the dormitories at Jaya 88, have further progressed adding to the profitability of the Group for the period. The ongoing adjustments to the political state of affair and the economic policies have not resulted in any significant difference to the performance of the Group. Nonetheless, with careful monitoring and barring drastic change in circumstances with regards to administrative and regulatory policies, the Board of Directors remains cautiously optimistic with the performance of the projects on hand. The Group will continue to seek for additional projects and joint ventures that would enhance the net worth of the Group.

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.

EXPLANATORY NOTES

The figures have not been audited

17. (i) Profit/(Loss) Before Tax From Continuing Operations

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

	Current Quarter 30/6/18 RM'000	Preceding Year Corresponding Quarter 30/6/17 RM'000	Cumulative Quarter 30/6/18 RM'000	Preceding Year Cumulative Quarter 30/6/17 RM'000
Depreciation and amortisation	66	44	132	79
Interest income	(25)	(80)	(107)	(82)
Interest expense	10	201	22	346
(Gain)/Loss on disposal of property, plant and equipment	-	-	-	14

(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 30/6/18	Preceding year to date RM'000 30/6/17
Continuing operations		
Short term funds	9	12,804
Cash, bank balances and deposits	432	7,795
	441	20,599

EXPLANATORY NOTES
The figures have not been audited
18. Discontinued Operations Classified As Held For Sale

On 7 December 2017, the Company entered into a Share Sale Agreement (“SSA”) with Formosa Prosonic Industries Berhad in respect of the disposal by the Company of 9,990,000 ordinary shares representing 100% of issued and paid up capital of Formosa Prosonic Technics Sdn. Bhd. (“FPT”). The transaction was completed on 2 January 2018.

- (i) The loss before tax of the discontinued operations for the comparative quarter and period ended 30 June 2017 were arrived at after charging/(crediting):

	Preceding Year Corresponding Quarter 30/6/17 RM'000	Preceding Year Cumulative Quarter 30/6/17 RM'000
Depreciation and amortisation	106	216
Foreign exchange (gain)/loss	117	598
Derivatives (gain)/loss	(180)	(767)
Interest income	(5)	(8)
Income from short term funds	(124)	(244)

- (ii) An analysis of the carrying amount of FPT as at 30 June 2017 is as follows:

	As at 30/6/17 RM'000
Assets:	
Property, plant and equipment	1,515
Deferred tax asset	448
Inventories	3,412
Trade and other receivables	23,353
Tax recoverable	1,296
Short term funds	12,796
Cash, bank balances and deposits	4,239
Total	47,059
Liabilities:	
Trade and other creditors	8,137
Total	8,137
Net assets of disposal group	38,922

EXPLANATORY NOTES
The figures have not been audited

- (iii) The taxation for discontinued operations for the comparative quarter and period ended 30 June 2017 comprised the following:

	Preceding Year Corresponding Quarter 30/6/17 RM'000	Preceding Year Cumulative Quarter 30/6/17 RM'000
In respect of current period		
- income tax	1	2
- deferred tax	(289)	(239)
In respect of prior year		
- income tax	-	-
	<u>(288)</u>	<u>(237)</u>

19. Income Tax Expense

The taxation of the Group for continuing operation comprises the following:

	Current Quarter 30/06/18 RM'000	Preceding Year Corresponding Quarter 30/06/17 RM'000	Cumulative Quarter 30/06/18 RM'000	Preceding Year Cumulative Quarter 30/06/17 RM'000
In respect of current period				
- income tax	-	-	-	-
- deferred tax	42	(787)	83	(787)
	<u>42</u>	<u>(787)</u>	<u>83</u>	<u>(787)</u>

The effective tax rate for the financial year-to-date is higher than the statutory tax rate mainly due to the effects of deferred tax liabilities provision on interest charged to subsidiaries.

20. 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”).

EXPLANATORY NOTES

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- (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.
- (c) On 12 June 2018, the Company announced its proposed Private Placement of new ordinary shares of not more than 10% of the issued share capital of the Company (excluding Treasury Shares). Shareholders’ mandate has already been obtained at the Annual General Meeting held on 28 May 2018.

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

21. Group Borrowings and Debt Securities

Group borrowings, which are denominated in Ringgit Malaysia, as at 30 June 2018 are as follows:

(a) **Short term borrowings**

	RM’000
<u>Unsecured</u>	
Hire purchase	164
<u>Secured</u>	
Term loans & bridging finance	-
	164

(b) **Long term borrowings**

	RM’000
<u>Unsecured</u>	
Hire purchase	593
<u>Secured</u>	
Term loans & bridging finance	13,496
	14,089

EXPLANATORY NOTES
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22. Material Litigation

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

23. Dividend Payable

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

24. Earnings Per Share
Basic earnings per share

	Current Quarter 30/6/18	Preceding Year Corresponding Quarter 30/6/17	Cumulative Quarter 30/6/18	Preceding Year Cumulative Quarter 30/6/17
Profit/(Loss) attributable to equity holders of the parent (RM'000)				
from:				
- continuing operations	416	(2,546)	(927)	(4,314)
- discontinued operations	-	(1,163)	-	(898)
Weighted average number of shares in issue ('000)	167,138	167,138	167,138	167,138
Basic EPS (sen)				
From:				
- continuing operations	0.2	(1.48)	(0.6)	(2.58)
- discontinued operation	-	(0.74)	-	(0.54)