



ACOUSTECH BERHAD (Co. No: 199901021765)
INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual quarter		Cumulative quarter	
	Current year 30/6/2020 RM'000	Preceding year corresponding quarter 30/6/2019 RM'000	Current year to date 30/6/2020 RM'000	Preceding year corresponding period 30/6/2019 RM'000
Revenue	1,207	3,963	1,370	8,538
Operating expenses	(2,319)	(3,984)	(4,231)	(8,385)
Other operating income	103	116	195	201
Profit/(Loss) from operations	<u>(1,009)</u>	<u>95</u>	<u>(2,666)</u>	<u>354</u>
Finance costs	(45)	(40)	(87)	(54)
Total profit/(loss) before tax	<u>(1,054)</u>	<u>55</u>	<u>(2,753)</u>	<u>300</u>
Tax expense	(24)	(29)	(49)	(59)
Total profit/(loss) for the period	<u><u>(1,078)</u></u>	<u><u>26</u></u>	<u><u>(2,802)</u></u>	<u><u>241</u></u>
Attributable to:				
Owners of the parents	(1,078)	26	(2,802)	241
Non-controlling interests	-	-	-	-
	<u><u>(1,078)</u></u>	<u><u>26</u></u>	<u><u>(2,802)</u></u>	<u><u>241</u></u>
Profit/(Loss) per share attributable to equity holders of the parent:				
Basic (sen)	<u><u>(0.55)</u></u>	<u><u>0.01</u></u>	<u><u>(1.44)</u></u>	<u><u>0.12</u></u>

(The notes set out on pages 5 to 11 form an integral part of and should be read in conjunction with this interim financial report)



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30/6/2020 RM'000	31/12/2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	883	947
Investment property	4,965	2,500
Right-of-use assets	808	1,029
Investment in an associate company	2,448	48
Goodwill	21,469	21,469
Amount owing by an associate	2,696	2,606
	33,269	28,599
Current assets		
Inventories	85,651	83,812
Trade and other receivables	10,327	15,482
Contract assets	748	785
Tax recoverable	293	232
Cash, bank balances and deposits	1,507	2,269
	98,526	102,580
TOTAL ASSETS	131,795	131,179
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	99,503	99,503
Reserves	(1,317)	1,485
TOTAL EQUITY	98,186	100,988
Non-current liabilities		
Long term borrowings	13,820	15,876
Lease liabilities	613	761
Deferred taxation	789	740
	15,222	17,377
Current Liabilities		
Trade and other payables	14,383	10,304
Contract liabilities	1,008	1,355
Short term borrowings	2,202	540
Lease liabilities	286	316
Tax liabilities	508	299
Cash and cash equivalents at end of financial period	18,387	12,814
TOTAL LIABILITIES	33,609	30,191
TOTAL EQUITY AND LIABILITIES	131,795	131,179
Net assets per share attributable to owners of the parent (RM)	0.50	0.52

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INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	30/6/2020 RM'000	30/6/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	(2,753)	300
Net adjustments for non cash items	315	179
Operating profit/(loss) before working capital changes	(2,438)	479
Net changes in working capital	5,171	(2,176)
Cash from/(used in) operations	2,733	(1,698)
Tax refunded/(paid)	148	318
Net cash from/(used in) operating activities	2,881	(1,379)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	92	85
Investment in an associate	-	-
Proceeds from disposal of a subsidiary, net of cash and cash equivalents of subsidiary disposed of	-	-
Purchase of property, plant and equipment	(6)	(531)
Advances to an associate	(90)	(1,660)
Construction of investment property	(2,465)	-
Net cash from/(used in) investing activities	(2,469)	(2,106)
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease liabilities paid	(209)	(51)
Drawdown net of repayment of:		
- hire purchase liabilities	-	(57)
- term loans and bridging loans	(394)	656
Interest paid on right-of-use assets	-	-
Interest paid	(571)	(199)
Net cash from/(used in) financing activities	(1,174)	349
Net decrease in cash and cash equivalents	(762)	(3,136)
Cash and cash equivalents at beginning of financial period	2,269	4,975
Cash and cash equivalents at end of financial period	1,507	1,839

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to equity holders of the parent →			
	← Non-distributable →	→	Distributable	
	Share capital RM'000	Treasury shares RM'000	Retained profits /(Accumulated losses) RM'000	Total equity RM'000
At 1 January 2020	99,503	(92)	1,577	100,988
Loss for the financial period	-	-	(2,802)	(2,802)
At 30 June 2020	99,503	(92)	(1,225)	98,186
At 1 January 2019	99,503	(92)	3,163	102,574
Profit for the financial period	-	-	241	241
At 30 June 2019	99,503	(92)	3,404	102,815

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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 2019.

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 2019, except for the following Standards, Amendments and IC interpretation which are effective from the annual period beginning on or after 1 January 2020 which are applicable to the Group:

MFRSs/ Amendments/Interpretations	Effective date
Amendments to <i>References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7, <i>Interest Rate Benchmark Reform</i>	1 January 2020

The adoption of these Standards, Amendments and IC interpretation have no material impact on the Interim Financial Report.

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 16 Covid-19-Related Rent Concessions	1 June 2020*
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 1 Annual Improvements to MFRS Standards 2018–2020 Cycle	1 January 2022
Amendments to MFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9 Annual Improvements to MFRS Standards 2018–2020 Cycle	1 January 2022
Amendments to MFRS 16 Annual Improvements to MFRS Standards 2018-2020 Cycle	1 January 2022
Amendments to MFRS 101 Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 116 Property, Plant and Equipment-Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137 Onerous Contracts-Cost of Fulfilling a Contract	1 January 2022
Amendments to MFRS 141 Annual Improvements to MFRS Standards 2018-2020 Cycle	1 January 2022
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred

* Applicable for annual reporting periods beginning on or after 1 June 2020.

EXPLANATORY NOTES

The figures have not been audited

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 subsequent periods and 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 2019 was not qualified.

3. Segmental Information

	Property development & construction RM'000	Investment holding RM'000	Total RM'000
6-months ended 30 June 2020			
Revenue			
External revenue	1,370	-	1,370
Results			
Operating profit/(loss)	(1,671)	(1,190)	(2,861)
Finance costs	(74)	(13)	(87)
Interest income	2	90	92
Other income	101	2	103
Profit/(Loss) before tax	(1,642)	(1,111)	(2,753)
Tax expense			(49)
Profit/(Loss) for the period			(2,802)
6-months ended 30 June 2019			
Revenue			
External revenue	8,538	-	8,538
Results			
Operating profit/(loss)	1,400	(1,247)	153
Finance costs	(39)	(15)	(54)
Interest income	5	80	85
Other income	116	-	116
Profit/(Loss) before tax	1,482	(1,182)	300
Tax expense			(59)
Profit/(Loss) for the period			241

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.

EXPLANATORY NOTES

The figures have not been audited

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 2019: 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 30 June 2020, the Company is contingently liable for the amount of banking facilities utilised by the subsidiary company totalling RM13.8 million.

The Company had also issued another corporate guarantee amounting to RM2.2 million to a licensed bank for banking facilities granted to a subsidiary company. As at 30 June 2020, 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 30 June 2020, the Company is liable for the amount of RM9.3 million, representing 30% proportion of the RM31.2 million banking facilities utilised and remain outstanding.

12. Subsequent Events

Other than as disclosed in Note 15, there were no material events subsequent to 30 June 2020 that have not been reflected in the interim report.

EXPLANATORY NOTES

The figures have not been audited

13. Review of Performance

For the period under review, the Group posted a turnover of RM1.4 million compared to RM8.5 million for the same period in the preceding year. Substantially, the turnover was derived from the development progress of Phase 1 terrace factories at Desa 88, Plentong, Johor. The contraction of revenue is mainly a result of the delays in construction progress arising from the movement control measures imposed by the Government in March earlier this year in its efforts to contain the COVID-19 pandemic. Turnover for the corresponding period of the preceding year was also substantially attributed to the development progress of the same project. The Group posted a pre-tax loss of RM2.8 million for the current period as compared to a pre-tax profit of RM0.2 million 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 posted a pre-tax loss of RM1.1 million as revenue was impacted by the COVID-19 movement control measures and was unable to support the overheads for the quarter. The RM1.1 million pre-tax loss for the quarter is lower than the RM1.7 million pre-tax loss posted by the Group in the immediate preceding quarter as construction works at Desa 88 Phase 1 project was resumed following the relaxing of the movement control measures during the quarter.

15. Prospects for the current financial year

The first half of the current year was affected by stoppage of construction works for approximately three months as a result of the Movement Control Order. Construction of Desa 88 Phase 1 terrace factories was only resumed towards the end of second quarter and with the delay, the completion date has been deferred. The Board remains optimistic the project can be completed by year end. The performance of the Group is hinged on the profits from sale of the remaining units of the project, in addition to any profit to be recognised from the launch of the new project in Pasir Gudang in second half of the year – the 66 units of double and three-storey shops office.

Although cautiously hopeful of the benefits the various Government economic initiatives and stimulus packages in wake of the COVID-19 pandemic, the Group takes a cautious stance as market sentiments is far from a recovery coupled with the risk of a flareup in the spread of the disease locally. The Board will, on a continuous basis, evaluate and monitor the risks and opportunities the Group is exposed to and would carefully navigate through this challenging time with the best interest of the Group and shareholders in mind.

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) Loss Before Tax

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

	Current Quarter 30/6/2020 RM'000	Preceding Year Corresponding Quarter 30/6/2019 RM'000	Cumulative Quarter 30/6/2020 RM'000	Preceding Year Cumulative Quarter 30/6/2019 RM'000
Depreciation of property, plant and equipment	35	84	70	165
Depreciation of right-of-use assets	100	25	221	44
Interest expense on borrowings	44	37	85	48
Interest income	(45)	(45)	(92)	(85)

(ii) Cash and Cash Equivalents

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

	Current year to date RM'000 30/6/2020	Preceding year to date RM'000 30/6/2019
Cash and bank balances	1,507	1,839

18. Income Tax Expense

The taxation of the Group comprises the following:

	Current Quarter 30/6/2020 RM'000	Preceding Year Corresponding Quarter 30/6/2019 RM'000	Cumulative Quarter 30/6/2020 RM'000	Preceding Year Cumulative Quarter 30/6/2019 RM'000
In respect of current period:				
- deferred tax	24	29	49	59
	24	29	49	59

The tax charge for the period is primarily in respect of deferred tax liabilities provision on interest charged to subsidiaries.

EXPLANATORY NOTES

The figures have not been audited

19. Corporate Proposals

- (a) On 11 February 2020, the Company announced that subsidiary JM Cemerlang Sdn Bhd had entered into a Sale and Purchase Agreement with Melatone Coating Sdn Bhd for the disposal of 2 contiguous parcels of land, identified as Plot 4 and Plot 5 each measuring approximately 1.014 acres, held under part of the Master titles with particulars HS(D) 592292 PTD 236096; HS(D) 592293 PTD 236097; HS(D) 592294 PTD 236098; HS(D) 592295 PTD 236099; and HS(D) 592296 PTD 236100, all in the Mukim of Plentong, District of Johor Bahru, State of Johor for a cash consideration of RM6,625,476.00; and
- (b) On 8 April 2020, the Company announced that Bursa Malaysia Securities Berhad (“Bursa Securities”) has, vide its letter dated 7 April 2020, resolved to conditionally approve the following:
- (i) Admission to the Official List and the listing and quotation of up to 97,211,700 new Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants;
 - (ii) Listing and quotation for up to 363,636,300 new ordinary shares to be issued arising from the conversion of RCPS; and
 - (iii) Listing and quotation of up to 97,211,700 new ordinary shares to be issued arising from the exercise of new Warrants. The approval granted by Bursa Securities for the Proposed Issuance of RCPS and the Proposed Bonus Issue of Warrants

At the Extraordinary General Meeting held on 10 July 2020, all of the resolutions in respect of the said proposals were tabled and duly passed.

The RCPS will enable the Group to raise RM80 million for existing and future property development projects and working capital over the next 5 years, to be implemented at the appropriate time.

Subsequently, on 23 July 2020, the Company announced that the exercise price for the Warrants to be issued pursuant to the Bonus Issue of Warrants be fixed at RM0.29 per Warrant (“Exercise Price”). Further, on 24 July 2020, the Company announced that the Entitlement Date for the Warrants has been fixed at 5.00 p.m. on 7 August 2020.

Following the announced Entitlement Date, 97,211,694 Warrants have been listed and quoted on the Main Market of Bursa Securities with effect from 9.00 a.m. on 17 August 2020, marking the completion of the Bonus Issue of Warrants.

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

EXPLANATORY NOTES
The figures have not been audited

20. Group Borrowings and Debt Securities

Group borrowings, which are denominated in Ringgit Malaysia, as at 30 June 2020 are as follows:

(a) Short term borrowings

	RM'000
<u>Secured</u>	
Term loans & bridging finance	2,202

(b) Long term borrowings

	RM'000
<u>Secured</u>	
Term loans & bridging finance	13,820

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/(Loss) Per Share
Basic loss per share

	Current Quarter 30/6/2020	Preceding Year Corresponding Quarter 30/6/2019	Cumulative Quarter 30/6/2020	Preceding Year Cumulative Quarter 30/6/2019
Profit/(Loss) attributable to equity holders of the parent (RM'000)	(1,078)	26	(2,802)	241
Weighted average number of shares in issue ('000)	194,535	194,535	194,535	194,535
Basic EPS (sen)	(0.55)	0.01	(1.44)	0.12