



ACOUSTECH BERHAD (Co. No: 496665-W)

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual quarter		Cumulative quarter	
	Current year 30/9/18 RM'000	Preceding year corresponding quarter 30/9/17 RM'000	Current year to date 30/9/18 RM'000	Preceding year corresponding period 30/9/17 RM'000
Revenue	10,789	12,920	29,542	30,189
Operating expenses	(11,920)	(15,500)	(31,615)	(39,763)
Other operating income	75	155	197	1,325
Profit/(Loss) from operations	<u>(1,056)</u>	<u>(2,425)</u>	<u>(1,876)</u>	<u>(8,249)</u>
Finance costs	(10)	(227)	(34)	(577)
Share of results in associate	-	(61)	-	(123)
Total profit/(loss) before tax	<u>(1,066)</u>	<u>(2,713)</u>	<u>(1,910)</u>	<u>(8,949)</u>
Tax expense	(42)	(131)	(125)	893
Total profit/(loss) for the period	<u>(1,108)</u>	<u>(2,844)</u>	<u>(2,035)</u>	<u>(8,056)</u>
Attributable to:				
Owners of the parents	(1,108)	(2,844)	(2,035)	(8,056)
Non-controlling interests	-	-	-	-
	<u>(1,108)</u>	<u>(2,844)</u>	<u>(2,035)</u>	<u>(8,056)</u>
Earnings/(loss) per share attributable to equity holders of the parent:				
Basic (sen)	<u>(0.6)</u>	<u>(1.7)</u>	<u>(1.2)</u>	<u>(4.8)</u>

(The notes set out on pages 6 to 15 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 30 SEPTEMBER 2018

(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
	30/9/18 RM'000	30/9/17 RM'000	30/9/18 RM'000	30/9/17 RM'000
Profit/(Loss) for the period	(1,108)	(2,844)	(2,035)	(8,056)
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	(1,108)	(2,844)	(2,035)	(8,056)
Attributable to:				
Owners of the parents	(1,108)	(2,844)	(2,035)	(8,056)
Non-controlling interests	-	-	-	-
	(1,108)	(2,844)	(2,035)	(8,056)

(The notes set out on pages 6 to 15 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 30 SEPTEMBER 2018
 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30/9/18 RM'000	31/12/17 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,139	1,246
Investment property	2,800	2,800
Goodwill	23,469	23,469
Inventories	6,577	39,809
Deferred tax assets	11	11
	<u>33,996</u>	<u>67,335</u>
Current assets		
Inventories	45,788	8,606
Trade and other receivables	44,877	33,039
Tax recoverable	1,144	326
Short term funds	9	9
Cash, bank balances and deposits	2,683	12,060
Non-current assets classified as held for sale	-	18,860
	<u>94,501</u>	<u>72,900</u>
TOTAL ASSETS	<u><u>128,497</u></u>	<u><u>140,235</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	97,753	96,253
Reserves	1,477	3,512
TOTAL EQUITY	<u><u>99,230</u></u>	<u><u>99,765</u></u>
Non-current liabilities		
Long term borrowings	17,238	13,496
Hire purchase liabilities	573	633
Deferred taxation	572	447
	<u>18,383</u>	<u>14,576</u>
Current Liabilities		
Trade and other payables	10,726	15,825
Short term borrowings	0	1,720
Hire purchase liabilities	158	89
Non-current liabilities classified as held for sale	-	8,260
	<u>10,884</u>	<u>25,894</u>
TOTAL LIABILITIES	<u><u>29,267</u></u>	<u><u>40,470</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>128,497</u></u>	<u><u>140,235</u></u>
Net assets per share attributable to owners of the parent (RM)	0.54	0.56

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ACOUSTECH BERHAD (Co. No : 496665-W)

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	30/9/18	30/9/17
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	(1,910)	(8,949)
Net adjustments for non cash items	94	(73)
Operating profit/(loss) before working capital changes	<u>(1,816)</u>	<u>(9,022)</u>
Net changes in working capital	<u>(18,028)</u>	<u>7,188</u>
Cash used in operations	<u>(19,844)</u>	<u>(1,834)</u>
Interest paid	(770)	(741)
Tax paid	(817)	(1,814)
Net cash used in operating activities	<u>(21,431)</u>	<u>(4,389)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	137	107
Income distribution received from short term funds	-	347
Proceeds from disposal of property, plant and equipment	-	115
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)	(324)
Advances to an associate	(2,123)	(1,962)
Construction of investment property	-	(85)
Net cash from/(used in) investing activities	<u>3,724</u>	<u>(1,802)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from issuance of new ordinary shares	1,500	-
Repayment of:		
- hire purchase liabilities	(79)	-
- term loans and bridging loans	2,023	(4,193)
Net cash used in financing activities	<u>3,444</u>	<u>(4,193)</u>
Net decrease in cash and cash equivalents	<u>(14,263)</u>	<u>(10,384)</u>
Effects of exchange rate fluctuations on cash and cash equivalents	-	(6)
Cash and cash equivalents at beginning of financial period	<u>16,955</u>	<u>27,425</u>
Cash and cash equivalents at end of financial period	<u>2,692</u>	<u>17,035</u>
Cash and cash equivalents of continuing operations	<u>2,692</u>	<u>17,035</u>
Cash and cash equivalents of discontinued operations	<u>0</u>	<u>-</u>
Cash and cash equivalents at end of financial period	<u>2,692</u>	<u>17,035</u>

(The notes set out on pages 6 to 15 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 30 SEPTEMBER 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to equity holders of the parent →				→		
	← Non-distributable	Share capital RM'000	Share premium RM'000	Treasury shares RM'000		Retained profits RM'000	Distributable
At 1 January 2018		96,253	-	(8,232)	11,744		99,765
Loss for the financial period		-	-	-	(2,035)		(2,035)
Issuance of shares		1,500	-	-	-		1,500
At 30 September 2018		97,753	-	(8,232)	9,709		99,230
At 1 January 2017		88,911	7,342	(8,232)	25,627		113,648
Loss for the financial period		-	-	-	(8,056)		(8,056)
At 30 September 2017		88,911	7,342	(8,232)	17,571		105,592

(The notes set out on pages 6 to 15 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
9-months ended 30 September 2018				
Revenue				
External revenue	29,542	-	-	29,542
Results				
Operating loss	(109)	(1,964)	-	(2,073)
Finance costs	(8)	(26)	-	(34)
Interest income	53	84	-	137
Other income	60	-	-	60
Loss before tax	(4)	(1,906)	-	(1,910)
Tax expense				(125)
Loss for the period				(2,035)
9-months ended 30 September 2017				
Revenue				
External revenue	(1,191)	-	31,380	30,189
Results				
Operating loss	(4,884)	(1,896)	(2,793)	(9,573)
Finance costs	(564)	(8)	(5)	(577)
Unrealised gain on forex	-	-	62	62
Interest income	76	20	358	454
Other income	-	-	809	809
Share of results in an associate	-	(123)	-	(123)
Loss before tax	(5,372)	(2,007)	(1,569)	(8,948)
Tax expense				892
Loss for the period				(8,056)

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 September 2018, the Company is contingently liable for the amount of banking facilities utilised by the subsidiary company totalling RM17.2 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 percent of the amount of banking facilities utilised by the associate under the proportionate corporate guarantee scheme. As at 30 September 2018, the Company is liable for the amount of RM9.2 million, representing 30% proportion of the RM30.6 million banking facilities utilised.

12. Subsequent Events

There were no material events subsequent to 30 September 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 RM29.5 million compared to RM30.2 million in the same period of the preceding year. The turnover of RM29.5 million for the period under review was generated solely from the property segment, namely the construction progress of dormitories in Permas Jaya, Johor, sale of completed factories at Senibong 88 and the development progress of factories at Desa 88. The turnover of the same period of the corresponding year was predominantly derived from the audio segment which was disposed at end of the 2017. For the period, the Group posted a pre-tax loss of RM1.9 million, an improvement from the RM8.9 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 loss of RM1 million for the quarter on the back of lower revenue contribution from the sale of one of two remaining units at Senibong 88 and the development progress of Desa 88 Phase 1 factories which was delayed resulting in inability to absorb the higher overheads the Group incurred during the quarter. The Group generated a pre-tax profit of RM0.5 million in the immediate preceding quarter supported by sale of two units at Senibong 88.

15. Prospects for the current financial year

The Group's inventory of completed factories at Senibong 88 has reduced to one last unit during the quarter. Although the development of Desa 88 Phase 1 factories was subject to delays, barring unforeseen circumstances, the Board of Directors is confident the construction pace will pick up and improve in the fourth quarter. Sales of the project will improve to generate higher revenue in the fourth quarter. The Group is now reliant solely on the property division as a single stream income generator where revenue and profit is dependent upon timely development approvals from the appropriate authorities and market sentiment. The dormitory project is near completion and is expected to contribute rental income for the remaining quarter of 2018. The Group remains focused on scouting and adding new development projects and joint ventures such as the recent proposed development of a block of 44-storey serviced apartments in Kota Laksamana in Melaka which was announced on 5 November 2018, a project which is expected to contribute positively to the performance of the Group over the next four years.

EXPLANATORY NOTES
The figures have not been audited

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 From Continuing Operations

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

	Current Quarter 30/9/18 RM'000	Preceding Year Corresponding Quarter 30/9/17 RM'000	Cumulative Quarter 30/9/18 RM'000	Preceding Year Cumulative Quarter 30/9/17 RM'000
Depreciation and amortisation	66	63	198	143
Interest income	(30)	(14)	(137)	(96)
Interest expense	12	225	34	571
(Gain)/Loss on disposal of property, plant and equipment	-	7	-	21

(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 30/9/18	Preceding year to date RM'000 30/9/17
Continuing operations		
Short term funds	9	8,517
Cash, bank balances and deposits	2,683	8,518
	2,692	17,035

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 September 2017 were arrived at after charging/(crediting):

	Preceding Year Corresponding Quarter 30/9/17 RM'000	Preceding Year Cumulative Quarter 30/9/17 RM'000
Depreciation and amortisation	104	320
Foreign exchange (gain)/loss	7	605
Property, plant and equipment impairment	981	981
Inventories written down	737	737
Derivatives (gain)/loss	-	(767)
Interest income	(3)	(11)
Income from short term funds	(103)	(347)

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

	As at 30/9/17 RM'000
Assets:	
Property, plant and equipment	1,582
Deferred tax asset	-
Inventories	3,797
Trade and other receivables	26,376
Tax recoverable	1,455
Short term funds	8,509
Cash, bank balances and deposits	5,916
Total	47,635
Liabilities:	
Trade and other creditors	9,595
Total	9,595
Net assets of disposal group	38,040

EXPLANATORY NOTES
The figures have not been audited

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

	Preceding Year Corresponding Quarter 30/9/17 RM'000	Preceding Year Cumulative Quarter 30/9/17 RM'000
In respect of current period		
- income tax	(2)	-
- deferred tax	448	209
	446	209

19. Income Tax Expense

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

	Current Quarter 30/09/18 RM'000	Preceding Year Corresponding Quarter 30/09/17 RM'000	Cumulative Quarter 30/09/18 RM'000	Preceding Year Cumulative Quarter 30/09/17 RM'000
In respect of current period				
- deferred tax	42	(244)	125	(1,031)
In respect of prior year				
- income tax	-	(71)	-	(71)
	42	(315)	125	(1,102)

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
The figures have not been audited

- (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.

Subsequently, on 19 September 2018, the Company allotted new 4,285,000 shares under the Private Placement exercise. The new Placement Shares rank pari passu with the existing shares of the Company prior to the placement. Status of utilisation of proceeds raised from the placement is as follows:

	Purpose	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation	Explanations (where deviation is 5% or more)
		(RM’000)	(RM’000)		(RM’000)	
(i)	Acquisition and/or investment in similar or other complementary businesses	1,500*	-	Within 24 months	Not applicable	Not applicable
(ii)	Estimated expenses for the Private Placement Exercise	120	80	Immediate	40	Savings of 33% of estimated expenses mainly due to single placement which represented only 24% of the approved maximum shares that could be issued.

* Of the 17,782,140 maximum number of placement shares approved under the Private Placement exercise (on assumption all of the 10,683,000 Treasury Shares held are resold in the open market), only 4,285,000 new shares were issued and allotted.

- (d) On 17 October 2018, the Board of Directors announced that a wholly owned subsidiary company T Three Builder Sdn Bhd has been incorporated with an issued and paid up capital of RM2.00.

EXPLANATORY NOTES

The figures have not been audited

- (e) On 5 November 2018, the Company announced its wholly owned subsidiary TESB entered into a Development Rights Agreement (“DRA”) with Jaya Mapan Sdn Bhd for a block of 44 storey serviced apartments (Block C) within the mixed development project known as The Green on a piece of leasehold land held under title number HSD 70516 PT 1816, Kawasan Bandar IV, District of Melaka Tengah, in the state of Melaka.
- (f) On 7 November 2018, the Company announced that, after taking into consideration the volatile market conditions and subdued demand for Placement Shares, the Board of Directors has decided not to continue with the fund-raising exercise of the balance of up to 12,857,340 Placement Shares but instead proposed that part of the Placement Shares be used to settle the purchase consideration of the DRA. Consequently, on 8 November 2018, the Company announced that it has submitted an application to Bursa Malaysia for issuance of 12,428,840 new shares in the Company as part settlement of the consideration payable to JMSB for the DRA in respect of Block C serviced apartments in Melaka. Subsequently, on 12 November 2018, Bursa Malaysia approved the listing and quotation of the said new shares.

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 September 2018 are as follows:

(a) Short term borrowings	RM’000
<u>Unsecured</u>	
Hire purchase	158
<u>Secured</u>	
Term loans & bridging finance	-
	158
	158
(b) Long term borrowings	RM’000
<u>Unsecured</u>	
Hire purchase	573
<u>Secured</u>	
Term loans & bridging finance	17,238
	17,811
	17,811

EXPLANATORY NOTES
The figures have not been audited

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 30/9/18	Preceding Year Corresponding Quarter 30/9/17	Cumulative Quarter 30/9/18	Preceding Year Cumulative Quarter 30/9/17
Profit/(Loss) attributable to equity holders of the parent (RM'000)				
from:				
- continuing operations	(1,108)	(1,964)	(2,035)	(6,278)
- discontinued operations	-	(880)	-	(1,778)
Weighted average number of shares in issue ('000)	167,697	167,138	167,327	167,138
Basic EPS (sen)				
From:				
- continuing operations	(0.66)	(1.18)	(1.22)	(3.76)
- discontinued operation	-	(0.52)	-	(1.06)