



ACOUSTECH BERHAD (Co. No: 199901021765)

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual quarter		Cumulative quarter	
	Current year 30/9/19 RM'000	Preceding year corresponding quarter 30/9/18 RM'000	Current year to date 30/9/19 RM'000	Preceding year corresponding period 30/9/18 RM'000
Revenue	4,394	10,789	12,932	29,542
Operating expenses	(4,447)	(11,920)	(12,832)	(31,615)
Other operating income	94	75	295	197
Profit/(Loss) from operations	41	(1,056)	395	(1,876)
Finance costs	(35)	(10)	(89)	(34)
Share of results in associate	48	-	48	-
Total profit/(loss) before tax	54	(1,066)	354	(1,910)
Tax expense	(28)	(42)	(87)	(125)
Total profit/(loss) for the period	26	(1,108)	267	(2,035)
Attributable to:				
Owners of the parents	26	(1,108)	267	(2,035)
Non-controlling interests	-	-	-	-
	26	(1,108)	267	(2,035)
Profit/(Loss) per share attributable to equity holders of the parent:				
Basic (sen)	0.02	(0.67)	0.14	(1.22)

(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: 199901021765)

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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
	30/9/19 RM'000	30/9/18 RM'000	30/9/19 RM'000	30/9/18 RM'000
Profit/(Loss) for the period	26	(1,108)	267	(2,035)
Total comprehensive loss	26	(1,108)	267	(2,035)
Attributable to:				
Owners of the parents	26	(1,108)	267	(2,035)
Non-controlling interests	-	-	-	-
	26	(1,108)	267	(2,035)

(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: 199901021765)

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30/9/19 RM'000	31/12/18 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,572	1,272
Investment property	2,500	2,500
Right-of-use assets	607	-
Investment in an associate company	48	-
Goodwill	21,469	21,469
Amount owing by an associate	3,254	3,254
	<u>29,450</u>	<u>28,495</u>
Current assets		
Inventories	75,079	70,859
Trade and other receivables	23,274	25,742
Contract assets	1,441	3,742
Amount owing by an associate	1,706	-
Tax recoverable	901	1,258
Cash, bank balances and deposits	976	4,975
	<u>103,377</u>	<u>106,576</u>
TOTAL ASSETS	<u><u>132,827</u></u>	<u><u>135,071</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	99,503	99,503
Reserves	3,338	3,071
TOTAL EQUITY	<u>102,841</u>	<u>102,574</u>
Non-current liabilities		
Long term borrowings	17,117	5,983
Hire purchase liabilities	468	599
Long term lease liabilities	348	-
Deferred taxation	713	626
	<u>18,646</u>	<u>7,208</u>
Current Liabilities		
Trade and other payables	5,405	13,558
Contract liabilities	5,524	4,800
Short term borrowings	-	6,825
Hire purchase liabilities	152	106
Short term lease liabilities	259	-
	<u>11,340</u>	<u>25,289</u>
TOTAL LIABILITIES	<u>29,986</u>	<u>32,497</u>
TOTAL EQUITY AND LIABILITIES	<u><u>132,827</u></u>	<u><u>135,071</u></u>
Net assets per share attributable to owners of the parent (RM)	0.53	0.53

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ACOUSTECH BERHAD (Co. No: 199901021765)
INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019
 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	30/9/19	30/9/18
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	354	(1,910)
Net adjustments for non cash items	280	94
Operating profit/(loss) before working capital changes	<u>634</u>	<u>(1,816)</u>
Net changes in working capital	<u>(6,695)</u>	<u>(18,028)</u>
Cash used in operations	<u>(6,061)</u>	<u>(19,844)</u>
Interest paid	(267)	(770)
Tax paid	358	(817)
Net cash used in operating activities	<u>(5,970)</u>	<u>(21,431)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	133	137
Proceeds from disposal of a subsidiary, net of cash and cash equivalents of subsidiary disposed of	-	5,713
Purchase of property, plant and equipment	(550)	(3)
Advances to an associate	(1,706)	(2,123)
Net cash from/(used in) investing activities	<u>(2,123)</u>	<u>3,724</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from issuance of new ordinary shares	-	1,500
Lease liabilities paid	(129)	-
Repayment of:		
- hire purchase liabilities	(85)	(79)
- term loans and bridging loans	4,308	2,023
Net cash from/(used in) financing activities	<u>4,094</u>	<u>3,444</u>
Net decrease in cash and cash equivalents	<u>(3,999)</u>	<u>(14,263)</u>
Cash and cash equivalents at beginning of financial period	<u>4,975</u>	<u>16,955</u>
Cash and cash equivalents at end of financial period	<u>976</u>	<u>2,692</u>

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ACOUSTECH BERHAD (Co. No : 199901021765)

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

(The figures have not been audited)

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 RM'000	Total equity RM'000
At 1 January 2019	99,503	(92)	3,163	102,574
Profit for the financial period	-	-	267	267
At 30 September 2019	99,503	(92)	3,430	102,841
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

(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)

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 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 <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 <i>Plan Amendment, Curtailment or Settlement</i>	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.

EXPLANATORY NOTES
The figures have not been audited

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 <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
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.

EXPLANATORY NOTES
The figures have not been audited
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
9-months ended 30 September 2019			
Revenue			
External revenue	12,932	-	12,932
Results			
Operating profit/(loss)	1,936	(1,837)	99
Finance costs	(67)	(21)	(88)
Interest income	7	126	133
Other income	162	-	162
Share of results in an associate	-	48	48
Profit/(Loss) before tax	2,038	(1,684)	354
Tax expense			(87)
Profit for the period			267
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)

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 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 period 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 September 2019, the Company is contingently liable for the amount of banking facilities utilised by the subsidiary company totalling RM14.9 million.

In the preceding quarter, 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 30 September 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 30 September 2019, the Company is liable for the amount of RM9.6 million, representing 30% proportion of the RM32.0 million banking facilities utilised and remain outstanding.

12. Subsequent Events

There were no material events subsequent to 30 September 2019 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 generated a turnover of RM12.9 million as compared to RM29.5 million for the same period in the preceding year. Turnover for the period was attributed to the development progress of Phase 1 terrace factories at Desa 88, Plentong, Johor. For the corresponding period of the preceding year, the higher turnover was derived from the combination of construction progress of the dormitories in Permas Jaya, the sale of completed factories at Senibong 88 and development progress of Desa 88 Phase 1 terrace factories. The Group posted a pre-tax profit of RM0.4 million for the period under review, an improvement compared to the RM1.9 million pre-tax loss posted for 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 profit of RM0.05 million on the back of the development progress of Desa 88 Phase 1 terrace factories. The Group's pre-tax profit for the quarter was consistent with that posted for the immediate preceding quarter despite a higher turnover registered for the current quarter as the operating costs incurred by the Group was also higher.

15. Prospects for the current financial year

The Group remains focused on its ongoing Desa 88 Phase 1 terrace factories project and is determined to complete the project by end of the year. In line with the Board's priority given to sustainability, the Group is committed in sourcing and carefully selecting projects. In respect of the secured projects on hand, namely, the 110-room hotel in Bandar Melaka, the 32 units of service apartments along with 16 units of 2 ½ storey landed resort villa in Krubong, Melaka, the proposed development of a 44 storey block of serviced apartments and a 16 storey hotel in Melaka Tengah and the 66 units of 2 and 3 storey shop offices in Pasir Gudang, Johor, the Board is confident its choice of location, product, timing of launch and marketing strategy will enhance the Group's financial performance and position.

As the nation's economy remains exposed to risks and uncertainties posed by global economic factors, the Board is cautious of the prolonged weak sentiment in respect of the local property market and widespread anticipation of an economic slowdown. The Board relies on careful evaluation of meticulous market studies in deciding on the strategy of way forward and is optimistic the Group is able to ride out the current challenging business environment.

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

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

	Current Quarter 30/9/19 RM'000	Preceding Year Corresponding Quarter 30/9/18 RM'000	Cumulative Quarter 30/9/19 RM'000	Preceding Year Cumulative Quarter 30/9/18 RM'000
Depreciation and amortisation of property, plant and equipment	85	66	250	198
Depreciation of right-of-use assets	56	-	100	-
Interest income	(48)	(30)	(133)	(137)
Interest expense	34	12	82	34

(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 30/9/19	Preceding year to date RM'000 30/9/18
Short term funds	-	9
Cash, bank balances and deposits	976	2,683
	976	2,692

18. Income Tax Expense

The taxation of the Group comprises the following:

	Current Quarter 30/9/19 RM'000	Preceding Year Corresponding Quarter 30/9/18 RM'000	Cumulative Quarter 30/9/19 RM'000	Preceding Year Cumulative Quarter 30/9/18 RM'000
In respect of current period				
- deferred tax	28	42	87	125
	28	42	87	125

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 the holding company and some subsidiaries. The tax charge for the period is in respect of deferred tax liabilities provision on interest charged to subsidiaries.

EXPLANATORY NOTES

The figures have not been audited

19. (i) Incorporation

On 19 July 2019, the Company incorporated a new wholly-owned subsidiary, TE Hotel Sdn. Bhd. (1334992-M) ("TEHSB"), with an issued and paid-up share capital of RM1.00. The principal business of TEHSB is hotel and resort hotels, property development, project management and construction related works.

(ii) 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.
- (b) On 28 May 2019, the Company announced that its wholly-owned subsidiary, Teras Eco Resources Sdn. Bhd. ("TERSB") had entered into two (2) separate Development Rights Agreement ("DRAs") as follow:
 - (I) DRA between TERSB and Innocashz (M) Sdn. Bhd. for development of a 110 rooms star rated hotel on a leasehold land held under H.S.(D) 73497 PT 833 located in Kawasan Bandar XLI, District of Melaka Tengah, State of Melaka; and
 - (II) DRA between TERSB and Goldsand JV Sdn. Bhd. for development of 32 units of serviced apartments, 16 units of 2 ½ storey landed resort villa and basic clubhouse amenities on a leasehold land held under H.S.(M) 593 PT 11425 located in Mukim Krubong, District of Melaka Tengah, State of Melaka.
- (c) On 6 August 2019, the Company announced that TEHSB entered into a Development Agreement with Jaya Mapan Sdn. Bhd. for the development of a 16 storey star rated hotel on a leasehold land held under HSD 70516 PT 1816 located in Kawasan Bandar VI, District of Melak Tengah, State of Melaka.
- (d) The Company announced on 15 August 2019 that TESB had entered into a Joint Venture Agreement ("JVA") with Sun Rock Development Sdn. Bhd., a wholly owned subsidiary of Protasco Berhad, for the development of 66 units of double and three storey shop offices on a leasehold land held under Lot H.S.(D) 478360 PTD 204274 located in the Mukim of Plentong, District of Johor Bahru, State of Johor.

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 September 2019 are as follows:

(a) Short term borrowings

	RM'000
<u>Unsecured</u>	
Hire purchase	152
<u>Secured</u>	
Term loans & bridging finance	-
	152
	152

(b) Long term borrowings

	RM'000
<u>Unsecured</u>	
Hire purchase	468
<u>Secured</u>	
Term loans & bridging finance	17,117
	17,585
	17,585

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 30/9/19	Preceding Year Corresponding Quarter 30/9/18	Cumulative Quarter 30/9/19	Preceding Year Cumulative Quarter 30/9/18
Profit/(Loss) attributable to equity holders of the parent (RM'000)	26	(1,108)	267	(2,035)
Weighted average number of shares in issue ('000)	194,535	167,697	194,535	167,327
Basic EPS (sen)	0.02	(0.67)	0.14	(1.22)