



ACOUSTECH BERHAD (Co. No: 199901021765)

INTERIM REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual quarter		Cumulative quarter	
	Current year 31/12/19 RM'000	Preceding year corresponding quarter 31/12/18 RM'000	Current year to date 31/12/19 RM'000	Preceding year corresponding period 31/12/18 RM'000
Revenue	2,085	6,548	15,017	36,090
Operating expenses	(4,152)	(12,030)	(16,984)	(43,646)
Other operating income	1,095	187	1,390	385
Loss from operations	<u>(972)</u>	<u>(5,295)</u>	<u>(577)</u>	<u>(7,171)</u>
Finance costs	(57)	(9)	(146)	(44)
Share of results in associate	-	-	48	-
Total loss before tax	<u>(1,029)</u>	<u>(5,304)</u>	<u>(675)</u>	<u>(7,215)</u>
Tax expense	(824)	(284)	(911)	(408)
Total loss for the year	<u>(1,853)</u>	<u>(5,588)</u>	<u>(1,586)</u>	<u>(7,623)</u>
Attributable to:				
Owners of the parents	(1,853)	(5,588)	(1,586)	(7,623)
Non-controlling interests	-	-	-	-
	<u>(1,853)</u>	<u>(5,588)</u>	<u>(1,586)</u>	<u>(7,623)</u>
Loss per share attributable to equity holders of the parent:				
Basic (sen)	<u>(0.96)</u>	<u>(3.26)</u>	<u>(0.82)</u>	<u>(4.48)</u>

(The notes set out on pages 5 to 12 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 YEAR ENDED 31 DECEMBER 2019

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31/12/19 RM'000	31/12/18 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	947	1,272
Investment property	2,500	2,500
Right-of-use assets	1,029	-
Investment in an associate company	2,448	-
Goodwill	21,469	21,469
Amount owing by an associate	854	3,254
	<u>29,247</u>	<u>28,495</u>
Current assets		
Inventories	83,812	70,859
Trade and other receivables	13,082	25,742
Contract assets	785	3,742
Amount owing by an associate	1,752	-
Tax recoverable	232	1,258
Cash, bank balances and deposits	2,269	4,975
	<u>101,932</u>	<u>106,576</u>
TOTAL ASSETS	<u><u>131,179</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	1,485	3,071
TOTAL EQUITY	<u><u>100,988</u></u>	<u><u>102,574</u></u>
Non-current liabilities		
Long term borrowings	15,876	6,582
Lease liabilities	761	-
Deferred taxation	740	626
	<u>17,377</u>	<u>7,208</u>
Current Liabilities		
Trade and other payables	10,304	13,558
Contract liabilities	1,355	4,800
Short term borrowings	540	6,931
Lease liabilities	316	-
Tax liabilities	299	-
	<u>12,814</u>	<u>25,289</u>
TOTAL LIABILITIES	<u><u>30,191</u></u>	<u><u>32,497</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>131,179</u></u>	<u><u>135,071</u></u>
Net assets per share attributable to owners of the parent (RM)	0.52	0.53

(The notes set out on pages 5 to 12 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 YEAR ENDED 31 DECEMBER 2019

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	31/12/19 RM'000	31/12/18 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(675)	(7,214)
Net adjustments for non cash items	134	3,981
Operating profit/(loss) before working capital changes	(541)	(3,233)
Net changes in working capital	(2,789)	(14,176)
Cash used in operations	(3,330)	(17,409)
Tax refunded/(paid)	528	(1,150)
Net cash from/(used in) operating activities	(2,802)	(18,559)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	172	126
Investment in an associate	(2,400)	-
Proceeds from disposal of a subsidiary, net of cash and cash equivalents of subsidiary disposed of	-	5,713
Purchase of property, plant and equipment	(583)	(202)
Repayment by an associate	648	(2,356)
Net cash from/(used in) investing activities	(2,163)	3,281
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from issuance of new ordinary shares	-	6,844
Lease liabilities paid	(298)	-
Drawdown net of repayment of:		
- hire purchase liabilities	-	(105)
- term loans and bridging loans	3,607	(2,407)
Interest paid on lease liabilities	(58)	-
Interest paid on borrowings	(992)	(1,034)
Net cash from/(used in) financing activities	2,259	3,298
Net decrease in cash and cash equivalents	(2,706)	(11,980)
Cash and cash equivalents at beginning of financial year	4,975	16,955
Cash and cash equivalents at end of financial year	2,269	4,975

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ACOUSTECH BERHAD (Co. No : 199901021765)
INTERIM REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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
Loss for the financial year	-	-	(1,586)	(1,586)
At 31 December 2019	99,503	(92)	1,577	100,988
At 1 January 2018, as previously stated	96,253	(8,232)	11,744	99,765
Adjustments on initial application of MFRS 9	-	-	(958)	(958)
At 1 January 2018, as restated	96,253	(8,232)	10,786	98,807
Loss for the financial year	-	-	(7,623)	(7,623)
Issuance of shares: Private placement	1,500	-	-	1,500
Issuance of shares: Direct Business Transaction	5,344	-	-	5,344
Reissue of treasury shares	(3,594)	8,140	-	4,546
At 31 December 2018	99,503	(92)	3,163	102,574

(The notes set out on pages 5 to 12 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
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 <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 using the modified retrospective approach, for which the cumulative effect of initial application is recognised in retained earnings as at 1 January 2019. Accordingly, the comparative information presented is 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 1 January 2019 RM'000	Effects of MFRS 16 RM'000	As at 31 December 2019 RM'000
Non-current assets				
Right-of-use assets	(a)	Nil	1,029	1,029
Non-current liabilities				
Lease liabilities	(b)	Nil	761	761
Current liabilities				
Lease liabilities	(b)	Nil	316	316
Total lease liabilities		Nil	1,077	1,077

Note:

- (a) The right-of-use assets comprise motor vehicles acquired under hire purchase and buildings leased, including those recognised during the year. 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 motor vehicles under hire purchase and buildings leased are recognised and determined respectively using the sum of digit's method and 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
12-months ended 31 December 2019			
Revenue			
External revenue	15,017	-	15,017
Results			
Operating profit/(loss)	1,172	(3,140)	(1,968)
Finance costs	(113)	(33)	(146)
Interest income	-	172	172
Other income	1,219	-	1,219
Share of results in an associate	-	48	48
Profit/(Loss) before tax	2,278	(2,953)	(675)
Tax expense			(911)
Loss for the year			(1,586)
12-months ended 31 December 2018			
Revenue			
External revenue	36,090	-	36,090
Results			
Operating loss	(1,612)	(5,944)	(7,556)
Finance costs	(12)	(32)	(44)
Interest income	8	118	126
Other income	259	-	259
Loss before tax	(1,357)	(5,858)	(7,215)
Tax expense			(408)
Loss for the year			(7,623)

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

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 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 December 2019, the Company is contingently liable for the amount of banking facilities utilised by the subsidiary company totalling RM14.2 million.

During the year, 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 December 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 December 2019, the Company is liable for the amount of RM9.5 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 31 December 2019 that have not been reflected in the interim report.

13. Review of Performance

During the financial year under review, the Group generated a turnover of RM15.0 million as compared to RM36.1 million in the preceding year. Turnover for the year was mainly attributed to the property development activities at Desa 88, Plentong, Johor. The progress of Phase 1 terrace factories reached approximately 90% as at end of the year under review and the Group

EXPLANATORY NOTES

The figures have not been audited

foresees delivery of vacant possession by second quarter of 2020. In the corresponding year, Group turnover of RM36.1 million comprised of revenue from construction activity amounting to RM25.1 million and RM11.0 million from the sale of our completed factory units. The Group posted a pre-tax loss of RM0.7 million for the current financial year, an improvement compared to a pre-tax loss of RM7.2 million in the preceding financial year. In the preceding year, the Group's development profits were significantly offset against provisions made for impairment losses.

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

The Group posted a pre-tax loss of RM1.0 million for the quarter under review as the Group's sales could not offset operational costs during the quarter. This was in part due to delay in the sale of Bumiputera allocated units of its Desa 88 Phase 1 factories, reduced recognition of profits over progress of the said Phase 1 factories as the project nears physical completion and the delay in launch of Phase 2 factories. Owing to these factors, in spite of the Group's reversal of provision for impairment loss upon recovery of RM1.0 million in deposits previously placed with our joint venture partner in relation to a proposed collaboration on development in Tanjung Sepang, Kota Tinggi, Johor, the Group registered a pre-tax loss for the quarter as compared to the marginal pre-tax profit of RM0.05 million posted in the immediate preceding quarter.

15. Prospects for the current financial year

We began the current financial year hopeful of improved prospects after investing time and effort in building sizeable development landbank via joint ventures and development agreements with our 3rd party partners over the last 15 months. Nevertheless, at the macro level, we have to take cognisance that the market indicators and sentiments remained weak stemming from global, regional pressures and uncertainties. The situation is now unfortunately exacerbated by the Covid-19 epidemic virus sweeping across the globe, with its multiple multiplier effects which may cause indirect disruptions to our business and development launch plans. However, the Group has not been able to quantify the financial effects, if any, it may have a result of possible but not yet evident construction disruption due to supply-chain issues and subdued demand due to the public deferring big-ticket purchases, such as property. The situation is not helped by recent national political upheavals, rumoured abrupt changes in government at the federal and state level, which may result in changes to rules, regulations and policies which may directly or indirectly affect our development business.

To mitigate against any negative effects flowing from the macro factors, the Group has and will continue to take precautionary steps to defer launches of its projects, such as Desa 88 Phase 2 terrace factories and to renegotiate terms of existing joint ventures, if necessary. Barring unforeseen circumstances, the Group is hopeful that the five new projects secured over the past 15 months, namely the proposed 110-room hotel in Bandar Melaka; the proposed 36 units of landed resort villa in Krubong, Melaka; the proposed 16-storey hotel in Melaka Tengah; the proposed 66 units of double and three-storey shop office in Plentong, Johor and the proposed 44-storey Block C apartments in Kota Laksamana, Melaka are expected to generate encouraging revenues and profits for the Group over the next few years as appropriate regulatory approvals are already obtained or to be obtained soon, for the majority of our projects.

The Group remains hopeful and cautiously optimistic of improved prospects for 2020, while closely monitoring the development of the above external challenges facing the property development industry.

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) Loss Before Tax

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

	Current Quarter 31/12/19 RM'000	Preceding Year Corresponding Quarter 31/12/18 RM'000	Cumulative Quarter 31/12/19 RM'000	Preceding Year Cumulative Quarter 31/12/18 RM'000
Depreciation of property, plant and equipment	(95)	66	154	264
Depreciation of right-of-use assets	295	-	395	-
Interest expense on borrowings	(1)	5	82	39
Interest expense on Right-of-use assets	58	-	58	-
Property, plant and equipment written off	67	-	67	-
Provision for impairment of other receivables	600	1,000	600	1,000
Interest income	(39)	11	(172)	(126)
Reversal of impairment loss on other receivables	(1,002)	-	(1,002)	-

(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 31/12/19	Preceding year to date RM'000 31/12/18
Cash and bank balances	2,269	4,975

18. Income Tax Expense

The taxation of the Group comprises the following:

	Current Quarter 31/12/19 RM'000	Preceding Year Corresponding Quarter 31/12/18 RM'000	Cumulative Quarter 31/12/19 RM'000	Preceding Year Cumulative Quarter 31/12/18 RM'000
In respect of current year:				
- income tax	785	-	786	-
- deferred tax	27	54	113	179

EXPLANATORY NOTES

The figures have not been audited

In respect of prior year:

- income tax	12	219	12	218
- deferred tax	-	11	-	11
	824	284	911	408

The effective tax rate for the financial year is higher than the statutory tax rate mainly due to the availability of unutilised losses for set off against the taxable profits of a subsidiary. The tax charge for the year is primarily in respect of income tax provision on profit derived from property development activities during the year and under provision of tax in preceding year.

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 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.

EXPLANATORY NOTES

The figures have not been audited

- (e) 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.

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 December 2019 are as follows:

(a) Short term borrowings	RM'000
<u>Secured</u>	
Term loans & bridging finance	540
(b) Long term borrowings	RM'000
<u>Secured</u>	
Term loans & bridging finance	15,876

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. Loss Per Share

Basic loss per share

	Current Quarter 31/12/19	Preceding Year Corresponding Quarter 31/12/18	Cumulative Quarter 13/12/19	Preceding Year Cumulative Quarter 31/12/18
Loss attributable to equity holders of the parent (RM'000)	(1,853)	(5,588)	(1,586)	(7,623)
Weighted average number of shares in issue ('000)	194,535	179,146	194,535	170,306
Basic EPS (sen)	(0.96)	(3.26)	(0.82)	(4.48)