Annual Report | 2016

Acoustech Berhad

(Company No. 496665-W)

United in Diversity

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of the Company will be held at Connexion Conference & Event Centre (CCEC), Connexion @ Nexus, Level 3A, Spectrum Room, No. 7, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur, on Monday, 22 May 2017 at 11.00 a.m. for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 and the Reports of the Directors and the Auditors thereon. **(Please refer to Note No. 2)**

2. To approve the payment of Directors' Fees amounting to RM200,000 in respect of the financial year ended 31 December 2016. [2015: RM263,334] **Resolution 1**

3. To approve payment of Directors' benefits of up to RM116,433 for the financial year period from 1 January 2017 to 30 June 2018. **Resolution 2**

4. To re-elect the following Directors retiring in accordance with Article 103 of the Constitution of the Company:-

   (a) Leong Ngai Seng **Resolution 3**

   (b) Ahmad Rahizal bin TYT Dato' Ahmad Rasidi **Resolution 4**

5. To re-appoint Messrs BDO as the Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

As Special Business

To consider and if thought fit, to pass the following as Ordinary Resolutions:

6. **Authority to Allot and Issue Shares Pursuant to Section 75 and 76 of the Companies Act 2016** **Resolution 6**

   "**THAT** pursuant to Section 75 and 76 of the Companies Act 2016 and approvals from Bursa Malaysia for the listing of and quotation for the additional shares so issued and other relevant authorities, where approval is necessary, authority be and is hereby given to the Directors to allot and issue shares in the Company at any time upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares to be issued shall not exceed 10% of the total number of issued shares of the Company at any point of time **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

Notice of Annual General Meeting

7. **Retention of Independent Director in accordance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012** **Resolution 7**

   "**THAT** Soon Kwai Choy, an Independent Director who has served in the Company for more than nine (9) years be hereby retained as an Independent Director and to hold office until the next Annual General Meeting."

8. To transact any other business of the Company of which due notice shall have been given.

By Order of the Board

LIM HOOI MOOI (MAICSA 0799764)
WONG WAI FOONG (MAICSA 7001358)
Joint Company Secretaries

Kuala Lumpur
28 April 2017

NOTES

1. **Appointment of Proxy**

   - A Member of the Company who is entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him.
   - A Member of the Company who is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA") may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
   - A Member of the Company who is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
   - Where an exempt authorized nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
   - A proxy need not be a Member of the Company. A proxy appointed to attend and vote shall have the same rights as the Member to speak at the meeting.
   - The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its common seal or the hand of its officer or its duly authorised attorney.
   - The instrument of proxy must be deposited at the Share Registrar's Office situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
   - For the purpose of determining a Member who shall be entitled to attend and vote at the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 15 May 2017 and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxies to attend and vote in his stead.

Notice of Annual General Meeting

2. **Agenda No. 1**

   This item of the Agenda is meant for discussion only. The provisions of Section 340(1) of the Companies Act 2016 require that the audited financial statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such this Agenda item is not a business which requires a resolution to be put to vote by shareholders.

3. **Agenda No. 3 – Resolution No. 2**

   This resolution is to facilitate payment of Directors' benefits on current financial year basis until the conclusion of the Company's next Annual General Meeting in 2018. In the event the Directors' benefits proposed are insufficient (e.g. due to more meetings or enlarged Board size etc.), approval will be sought at the next Annual General Meeting for the additional amount to meet the shortfall.

   Directors' benefits include allowances and other emoluments payable to Directors and in determining the estimated total the Board had considered various factors including the number of scheduled meetings for the Board, Board Committees, Board meetings of subsidiaries and covers the period from 1 January 2017 to 30 June 2018 (the due date for which the next Annual General Meeting should be held).

4. **Explanatory Notes on Special Businesses**

   Resolution No. 6
   The proposed Resolution No. 6, seeking a renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/ or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration. Should the mandate be exercised, the Directors will utilize the proceeds raised for working capital or such other applications they may in their absolute discretion deem fit. As at the date of the Notice, the Company has not issued any new shares under this general mandate.

   Resolution No. 7
   The proposed Resolution No. 7 is to seek shareholders' approval on the retention of a Director who has served as Independent Director for more than nine (9) years in the Company.

Notice of Annual General Meeting

Statement Accompanying Notice of Annual General Meeting
(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. There is no person seeking election as director of the Company at this Annual General Meeting.

2. General mandate for issue of securities
   Kindly refer to item 4 - Explanatory Notes on Special Businesses for Resolution No. 6 on Authority to Allot and Issue Shares Pursuant to Section 75 and 76 of the Companies Act 2016 under the Notes to the Notice of the Annual General Meeting.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Leong Ngai Seng
Chairman/Executive Director

Ong Li Tak
Executive Director

Soon Kwai Choy
Independent Non-Executive Director

Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi
Senior Independent Non-Executive Director

Chua Teck Leong
Independent Non-Executive Director

AUDIT COMMITTEE

Soon Kwai Choy
Chairman

Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi

Chua Teck Leong

NOMINATION COMMITTEE

Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi
Chairman

Chua Teck Leong

Soon Kwai Choy

REMUNERATION COMMITTEE

Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi
Chairman

Soon Kwai Choy

Ong Li Tak

COMPANY SECRETARIES

Lim Hooi Mooi
MAICSA 0799764

Wong Wai Foong
MAICSA 7001358

AUDITORS

BDO
Level 8 BDO Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur

REGISTERED OFFICE

Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur
Tel : 03-2783 9191 fax : 03-2783 9111

SHARE REGISTRAR

Tricor Investor & Issuing House
Services Sdn Bhd
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel: 03-2783 9299
Fax: 03-2783 9222

Customer Service Centre:
Unit G-3, Ground Floor, Vertical Podium
Avenue 3, Bangsar South
No 8 Jalan Kerinchi
59200 Kuala Lumpur

WEBSITE

www.acoustech.com.my

PRINCIPAL PLACE OF BUSINESS

No. 2, Jalan 1
Bandar Sultan Suleiman
Taiwanese Industrial Park
42000 Port Klang, Selangor Darul Ehsan
Tel: 03-3176 1145
Fax: 03-3176 2003

PRINCIPAL BANKERS

- RHB Bank Berhad
- CIMB Bank Berhad
- United Overseas Bank (Malaysia) Berhad
- Citibank Berhad

CORPORATE OFFICE

Suite 100.5.025, 129 Offices,
Jaya One, 72A Jalan Universiti,
46200 Petaling Jaya, Selangor.
Tel: 03-7931 9809
Fax: 03-7931 9919

STOCK EXCHANGE LISTING

Main Market of
Bursa Malaysia
Securities Berhad

CORPORATE STRUCTURE

Acoustech Berhad
(Company No. 496665-W)
(Incorporated in Malaysia)

- **100%** Formosa Prosonic Technics Sdn. Bhd.
(Company No. 242393-V)
    - **100%** Aerotronic Sdn. Bhd.
(Company No. 478021-X)
- **100%** Teras Eco Sdn. Bhd
(Company No. 962784-H)
- **100%** JM Cemerlang Sdn. Bhd.
(Company No. 1054915-X)
- **100%** Teras Eco Resources Sdn. Bhd.
(Company No. 1183689-K)
- **30%** Harum Eco Dormitory Sdn. Bhd.
(Company No. 1201878-X)

Dear Shareholders,

On behalf of the Board, I present to you our Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

The last financial year has been challenging for the Group. As we continued to rationalise our business to improve our bottom line, we were faced with micro and macroeconomic challenges both in the domestic and international front. In spite of the circumstances, we stayed above water and chalked a profit after tax of RM0.5 million for the Group.

FINANCIAL HIGHLIGHTS

The audio and property division of our Group had different fates for 2016. The former turned a relatively modest performance while the later performed exceptionally well. For the audio division, against a turnover of RM54 million, we unfortunately recorded a pre-tax loss of RM2.8 million. Turnover for this division also dropped from RM88 million registered in the preceding year to RM54 million in the current year. This drop in demand owes principally to the continued depress global consumer demand which has not quite recovered according to forecast. To minimise against erosion of profitability and minimise losses, we had to scale down our operations further to mitigate any foreseeable drop in demand.

The property division however performed up to expectation. With the completion of our Senibong 88 development, our property division registered a profit after tax of approximately RM6 million for the year. With a total landbank of 65 acres for development, 20 acres have since been completely developed with the balance earmarked for launches in the next 12 months. In terms of gross development value, the Group has recorded development value of RM129 million up to 2016 and expects to register a further RM223 million over the next few years. With the prevailing performance trend, we are quietly optimistic that the property division will help to buffer the negative business conditions experience by our audio business division.

Overall, compared with the previous financial year, the property division has done remarkably well by improving its fortunes from a profit after tax of RM2.6 million in the last financial year to a profit after tax of RM6 million for the current year.

We continue to believe that our niche developments themed under the Commdustrial concept, a merger of functionalities between an industrial factory and a commercial building concept will distinguish our properties in an otherwise crowded market. During the year, we continued our expansion in the property development segment by entering into various joint venture and development agreements to develop commercial units in Pengerang, Tanjung Sepang, District of Kota Tinggi, Johor and hostel units in Bandar Baru Permas Jaya, Johor Bahru. To date, our Group has added 14 acres of land during the financial year, bringing a total gross area of 79 acres of land for ongoing and upcoming development. Our projects are at different stages of the development cycle and we expect the revenue and profit contribution to be relatively spread out over the next 3 years.

OPERATIONS

Manufacturing

Our manufacturing business remains challenging and buffeted by various extenuating factors such as fast changing consumer needs, demands for personalisation and customisation of products, all of which adds to cost. With demand for better inbuilt technology and sophistication in product design, our company may have to increase and upgrade its technical and engineering capabilities in order to keep pace with this shift in the demand landscape. It is an unfortunate paradox that the availability of less expensive manufacturing tools, easier and quicker access to design and tooling capabilities for use in prototyping and production have also lowered the barriers to entry in our industry. This has led to increase in competition in a crowded market, which directly and indirectly results in price competition and reduced margins. Managing cost of raw materials will also be a significant challenge as price increases are largely due to cost push inflation which we are least able to pass to our customers. Achieving appropriate profit margins will remain a challenge for the coming year. Nevertheless, we will strive to improve our performance and undertake necessary restructuring if required.

Management Discussion and Analysis

Property

Our maiden project, Senibong 88 has now been physically completed with the 45 units sold about to be handed over to purchasers soon.

Barring unforeseen circumstances, our target is to launch the next project, entitled Desa 88 with an initial target of 40 commercial units to be released for sale in the 3rd quarter of 2017. Mindful of the subdued market, we will remain cautious about demand trends and any potential risks that may arise from over expanding or committing too many units beyond what the market can absorb.

To reduce holding costs, we decided to enter into joint venture arrangements with land owners to mitigate risk. Towards this end, we successfully tied up with PIJ Property Development Sdn Bhd, a landowner with sizeable plots of lands in the Pengerang, Johor. Our commitment is to develop an initial 60 units of three storey shop offices on 5.666 hectares of land in Tanjung Sepang, District of Kota Tinggi, located in the highly prized and sought after petro-chemical hub, east of Johor Bahru.

This development is located strategically near to regional demand centres, international shipping lanes, deepwater port facilities, refineries and petrochemical hubs which attract huge investments. The upshot from this will be the anticipated influx of secondary investments and businesses. Based on this trend, our development is expected to be a beneficiary as we anticipate demand for commercial space to accommodate population and businesses growth in the region. Given that our project will be among the first few developments along the main access road towards the petro-refinery areas, we are confident that this project will be a catalyst for growth of other commercial centers in this particular area.

From the marketing feedback, once the various approvals are in place, we are optimistic that this project will result in good uptake and absorption by the market given the limited units put for sale. We anticipate that this Pengerang project will generate an initial gross development value (GDV) of RM55 million for the Group and contribute a gross profit of RM12 million over a 2 year life span of the project.

Hostel management

To maximise returns on our existing landbank in Permas Jaya, we decided to enter into a joint venture agreement with a local reputable human resource recruitment company to develop hostel units under a development cum lease arrangement. We anticipate to derive property development revenue from the construction of the hostel units and upon completion of the hostel, we expect longer term income from the rental/lease of the hostel units.

With the expected upturn in the recruitment of registered foreign workers in the country, we believe that there is potential to tap the market for workers' accommodation. It is estimated that the annual market for such accommodation business may reach RM4.8 billion and with the government pushing for proper housing for foreign workers, the demand for hostels to meet the defined requirements is expected to increase. By releasing the land bank in Permas Jaya for this purpose, we are able minimise our risks of holding land bank beyond extended periods.

Talent

Our competitiveness is dependent on our ability to retain staff with the necessary expertise and experience. Talent recruitment, retention and development in both our audio and property development businesses remain a constant challenge and is a key success factor. As consumers are becoming more discerning on the quality and choice of products, it is important that we attract employees that can discern demand trends, formulate strategies and deliver products that are price competitive and yet profitable at the same time. We have in place competitive remuneration schemes and a reward system to incentivise performance.

Management Discussion and Analysis

Outlook

According to the recent Bank Negara Malaysia's 2016 Annual Report, our economy is projected to grow at 4.3% to 4.8% which is marginally above 4.2% for last year. While this bodes well on the domestic front, we remain cautiously optimistic of the business outlook of the Group moving forward given the persistent weak domestic economic environment, uncertainty in global trade generated by Brexit, the new US administration under President Trump and impending threats of war in different geopolitical regions, which will directly and indirectly impact consumer sentiments.

While the depreciation of the Ringgit may improve export and indirectly assist in our manufacturing business, this will at best be a temporary boon as this will be expected to result in larger pass-through effect on domestic prices and raw materials leading to higher inflation which will then be passed to consumers. With inflation being cost pushed rather than demand driven, managing the price of raw materials will be a challenge for the Group.

For the year ahead, prospects of the audio business will remain challenging. To a large extent, the factors influencing demand are macro-economic in nature and beyond the Group's control. It is expected that the current global economic slowdown will persist and the Group will be looking at means and ways to contain costs increases. Against such backdrop, we will continue to monitor our performance closely and rationalise our business further, if required to.

As for the property division, we are confident that our foray into this business segment will produce better margins and much more stable returns in the longer run. We are optimistic that the industrial property division will contribute to the Group's profitability and barring exceptional circumstances, we intend to devote further resources to grow this business. As a matter of prudence, we will constantly gauge consumer's desire for the type, mix and composition of development so as to ensure that all our units are fully sold in the short to medium term, without undue stock overhang.

Mindful that surveys and reports by real estate companies paints a generally flat outlook in the near term for the property market due to tighter lending restrictions and other headwinds such as rising raw material prices and energy costs, we remain confident that small to medium ("SMI") industry companies will still invest in acquiring low to medium sized commercial space for current and organic expansion purposes. Against this backdrop, we intend to focus on small scale developments with faster turnaround times. Both our Desa 88 and Pengerang projects will keep our property division segment occupied for the next 12-18 months.

As the property development arm of our business accounted for 53% of our Group's revenue in 2016, we expect that this division will become our mainstay in the future.

Appreciation

I am thankful for the guidance and support of my fellow Board who has offered robust and constructive criticism and wisdom on many aspects of our business. My sincere appreciation also goes to all our staff for their patience and commitment.

On behalf of the Board, I would like to express our sincere appreciation to all our shareholders, business partners and associates who have continued to support and believe in us. With everyone's support, we will forge ahead and look towards a better year.

Thank you

Leong Ngai Seng
17 April 2017
Kuala Lumpur, Malaysia

PROFILE OF DIRECTORS

Leong Ngai Seng
Chairman/
Executive Director

Malaysian, male, aged 45, Chairman/Executive Director, was appointed to the Board of Acoustech Berhad on 25 February 2002. He served as the Senior Independent Non-Executive Director prior to taking up the appointment as Executive Director on 26 November 2015. He obtained his Law Degree and Commerce Degree LLB (Hons) B. Comm. from University of Melbourne and became a member of the Malaysian Bar in 1997. He was formerly an Assistant Vice-President in the Corporate Finance Department of a leading merchant bank in Malaysia. Mr. Leong was a partner in his own law firm prior to assuming the executive role in the Group.

Mr. Leong holds directly 4,805,956 ordinary shares or 2.88% and is deemed interested in 28,468,186 ordinary shares or 17.03% in the Company via his holding companies.

Except for his shareholding interest in the Company, he has no family relationship with any of the Directors and/or major shareholder of the Company. He has not been convicted of any offences within the past five (5) years and has not been imposed any penalty by any regulatory bodies during the financial year 2016. Mr. Leong is also an Independent Non-Executive Director and Chairman of the Audit Committee of YFG Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad.

Ong Li Tak, Richard
Executive Director

Malaysian, male, aged 40, Executive Director, was appointed to the Board of Acoustech Berhad on 19 February 2016. Richard Ong was born in Kluang, Johor, in 1977.

Richard boasts over 16 years of track record in the property development industry in BCB Berhad, amongst others. His illustrious career portfolio dates back to 1996 as a Clerk-of-Works for a first ever mixed development housing project in Kluang, Johor. Richard has a wide spectrum of industrial know-how and business acumen, from sales administration to sales and marketing planning, project development, property management, product conceptualization and strategy, business development and liaison with local government bodies and relevant authorities.

Richard has established himself as a prominent captain of the property development industry in the Southern region of Malaysia. He distinguishes himself with brilliant, innovative ideas and takes pride in making life happy for aspiring buyers.

Richard does not hold any shares in the Company. He has no family relationship with any of the Directors and/or major shareholder of the Company. He has not been convicted of any offences within the past five (5) years and has not been imposed any penalty by any regulatory bodies during the financial year 2016.

Profile of Directors

Soon Kwai Choy
Independent Non-Executive Director

Malaysian, male, aged 66, Independent Non-Executive Director, was appointed to the Board of Acoustech Berhad on 3 September 2001. He has held several senior positions in various major Malaysian corporations and was admitted as a member of the Association of Chartered Certified Accountants (ACCA) (UK) in 1979 and a member of the Malaysian Institute of Accountants (MIA) since 1980. He was the Past President of the Confederation of Asian and Pacific Accountants and former Vice-President of MIA. He sat in the International Council of the ACCA headquarters in London, United Kingdom from 1996-2008. He was awarded an honorary CPA by the Chinese Government in 1996.

Mr. Soon is the Chairman of the Audit Committee of the Company and a member of the Nomination Committee. Mr. Soon holds directly 400,000 ordinary shares or 0.24% interest in the Company and is deemed interested in 610,000 ordinary shares held by his spouse. Except for his shareholding interest in the Company, he has no family relationship with any of the Directors and/or major shareholder of the Company. He has not been convicted of any offences within the past five (5) years and has not been imposed any penalty by any regulatory bodies during the financial year 2016.

Malaysian, male, aged 34, Senior Independent Non-Executive Director, was appointed to the Board of Acoustech Berhad on 24 April 2015. He graduated with a Diploma in Business from International School of Hong Kong. Subsequently, he completed his degree in Business IT in Sunway College.

He began his career in Koperasi Ukhwah Malaysia Berhad in business development and administration for its property investment and development and credit financing division. He was then promoted to the role of Head of Property Development and Investment Department which looks into the Koperasi assets in Malaysia, United Kingdom and Australia.

He is also a Director in Noble Signet Sdn Bhd, a company which develops IT systems catering to cooperatives and the banking industry. He is also the Chairman of UQ Holiday which charters flights for pilgrims to perform Umrah.

In addition, he is currently the Chief Executive Officer of Uniqa Sdn Bhd, a company that provides electronic payment systems, as an alternative delivery channel for financial institutions.

With the experience gained, he started Tres Industry Sdn Bhd, which undertakes property development in the Klang Valley. He has also partnered with other property development companies to undertake developments in Melaka and Johor.

On 28 October 2016, En. Ahmad Rahizal was appointed as Independent Director of Minetech Resources Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad that specialises in civil engineering, construction, quarry operations, premix cement and bituminous products.

En. Ahmad Rahizal does not hold any shares in the Company. He has no family relationship with any of the Directors and/or major shareholder of the Company. He has not been convicted of any offences within the past five (5) years and has not been imposed any penalty by any regulatory bodies during the financial year 2016.

Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi
Senior Independent Non-Executive Director

Profile of Directors

Chua Teck Leong
Independent
Non-Executive
Director

Singaporean, male, aged 55, Independent Non-Executive Director, was appointed to the Board of Acoustech on 22 April 2016. He graduated from the University of London and was called to the English Bar in 1987. After he was called to the Singapore Bar in 1989, he started his career as a lawyer having a general practice from 1991-2000 and from 2005-2008.

In 2001, he was appointed as Executive Director of Serial System Limited, which is a public listed company in the Singapore Stock Exchange (SGX) involved in the business of distribution of components and manufacturer of consumer electronic devices. Prior to the appointment, he was an independent and non-executive director of the said company. He was also on the Board of Directors for PDC Corp Ltd (a main board listed company of the SGX) as their Independent Director serving as the Chairman for the Nominating and Remuneration Committee and member of the Audit Committee. He was also a Director of BullWill Co Ltd, a Taiwan company in the business of component manufacturing and distribution listed on the OTC Counter Taiwan Stock Exchange.

Currently, he serves as the Group Legal Counsel for Jforte Holdings Pte Ltd. He concurrently holds the post of Chief Operating Officer for JL Asia Resources Pte Ltd, a project management company in the management of development projects and hotel management business. He also served as a Director for Jforte Sportainment Pte Ltd and CueGuru Pte Ltd, a company which business is in sportainment and operates a bowling center and several pool and billiard centers in Singapore. He also helmed the position as Deputy CEO of 'SUKI Group of Companies which operates a total of 26 F&B outlets.

Mr Chua does not hold any shares in the Company. He has no family relationship with any of the Directors and/or major shareholder of the Company. He has not been convicted of any offences within the past five (5) years and has not been imposed any penalty by any regulatory bodies during the financial year 2016.

PROFILE OF KEY SENIOR MANAGEMENT

Tee Kuan Hong

Malaysian, male, aged 33, is a graduate from Monash University, Australia with a Bachelor of Commerce and Bachelor of Law. He is currently our Group General Manager responsible for overseeing the finance, administration and operations divisions. Mr. Tee joined Teras Eco Sdn. Bhd. in 2013, and was involved in the setting up of various departments such as Finance, Marketing & Sales, Construction, Corporate development etc. Mr. Tee was the key person to drive the development projects during the early stages of Teras Eco Sdn. Bhd., completing its maiden project, Senibong 88 with GDV of approximately RM100m and structuring other development proposals.

Prior to joining our Group, Mr. Tee was heavily involved in the finance industry, joining Singapore's United Overseas Bank for well over 6 1/2 years. During his tenure, he handled in excess of 100 commercial and corporate loan deals including Small and Medium Enterprise accounts, structuring loan deals, managing cash flow and understanding various business environment needs of clients. Some of the notable deals he handled, include the construction of a water theme park, project financing for the beautification of a state river, the re-construction and refurbishment of a reputable hotel.

In his last 2½ years with UOB, he spearheaded the UOB Real Estate Department's initiative to handle the property boom in Iskandar Malaysia, structuring several mega loan deals and complex bridging loans. With vast experience in the finance sector, coupled with strong understanding of legal banking and construction aspects, Mr. Tee also has a strong network with lawyers, valuers and high networth clients and government authorities.

Mr. Tee also has experience in the hospitality industry having been involved with the setting up and operations of 2 boutique hotels located in Kluang and Kuala Lumpur. His exposure and experience in the hospitality field was further enhanced through his strong connections with Hong Kong's Park Group and Singapore's Park Royal and Pan Pacific Group. He was instrumental in the linking up of these three 5 star hospitality brands to manage the development of hotel buildings in Melaka and Johor.

Mr. Tee has no family relationship with any of the Directors and/or major shareholder of the Company. He does not hold any directorship in other public listed companies and does not have any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years.

Tia Chong Hao

Malaysian, male, aged 32, is a graduate from Universiti Utara Malaysia and holds a Bachelor of Business Administration with Honours. He is our current General Manager for the Property Division. Mr. Tia started off as a banker, holding a commercial banking executive position with UOB Malaysia from June 2008 till May 2013 until his promotion to Assistance Vice President - Real Estate Team @ Commercial Banking. Mr. Tia then ventured into the property development sector by joining Tiong Nam Properties Sdn. Bhd. (a subsidiary company of Tiong Nam Logistic Berhad) as Assistant Sales & Marketing Manager where he led the sales and marketing team and was responsible for the strategic direction and coordination of various projects. Mr. Tia then joined Teras Eco Sdn. Bhd. in June 2015 and is now responsible for the various initiatives and projects under our Group's property division.

Mr. Tia has no family relationship with any of the Directors and/or major shareholder of the Company. He does not hold any directorship in other public listed companies and does not have any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years.

Audit and Risk Management Committee Report

THE BOARD OF DIRECTORS ("the Board") of Acoustech Berhad ("the Company") is pleased to present the report of the Audit and Risk Management Committee for the financial year ended 31 December 2016.

Chairman

Soon Kwai Choy
Independent Non-Executive Director

Members

Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi
Senior Independent Non-Executive Director

Chua Teck Leong
Independent Non-Executive Director

TERMS OF REFERENCE

Constitution

The Audit and Risk Management Committee was constituted per resolution of the Board on 4 September 2001 and its terms of reference are consistent with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (the "Exchange").

Authority

- The Audit and Risk Management Committee is authorised by the Board to investigate any activity within its terms of reference.
- It has unlimited access to all information relevant to its activities.
- It is authorised by the Board to obtain legal or other professional advice if it deems necessary.

Available to public

The terms of reference is available on the Company's website.

COMPOSITION

- The Audit and Risk Management Committee shall comprise at least 3 directors all of which must be non-executive directors with a majority of them being independent directors.
- Alternate director shall not be appointed as members of the Audit and Risk Management Committee.
- At least one member of the Audit and Risk Management Committee shall be a member of the Malaysian Institute of Accountants or a person who fulfils the specific requirements as prescribed or approved by the Exchange.
- In the event of any vacancy in the Audit and Risk Management Committee resulting in the non-compliance of the Exchange's Listing Requirements, the vacancy shall be filled within 3 months.
- The members of the Audit and Risk Management Committee shall elect a chairman from among their number who shall be an independent director.
- Members of the Committee shall serve for a period of two years and then retire from office but shall be eligible for re-appointment.

Audit and Risk Management Committee Report

FUNCTIONS

The Audit and Risk Management Committee shall, amongst others, discharge the following functions:-

- Review the following and report the same to the Board of Directors;

  - with the External Auditors, the audit plan;
  - with the External Auditors, his evaluation of the system of internal controls;
  - the adequacy of the scope, functions, competency and resources of the internal audit functions and the necessary authority of the internal auditor to carry out the work;
  - the internal audit program, processes, the results of the internal audit program, processes or investigations undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - the quarterly results and year-end financial statements, prior to the approval by the Board focusing particularly on:-

    (i) changes in or implementation of major accounting policy changes;
    (ii) significant and unusual events;
    (iii) the going-concern assumptions; and
    (iv) compliance with accounting standards and other legal requirement;

  - any related party transactions and the conflict of interest situation including any transaction, procedure or course of conduct that raises questions of management integrity;
  - any letter of resignation from the External Auditors; and
  - whether there is any reason and supported by grounds, to believe that the External Auditors is not suitable for re-appointment.

- Undertakes an annual review on the suitability and independence of the External Auditors given the length of service of the current External Auditors. The Audit and Risk Management Committee also reviews the performance of the External Auditors and recommends its reappointment to the Board of Directors;

- Report promptly to the Exchange on any matter the Audit and Risk Management Committee had reported to the Board of Directors, which was not satisfactorily resolved and/or resulted in a breach of the Exchange's Listing Requirements; and

- Consider and report on matter requested by the Board of Directors.

ACTIVITIES

The Committee met eight (8) times for the year under review and carried out the following activities:-

- Reviewed the unaudited quarterly financial statements and the audited financial statements before submission to the Board for approval;
- Reviewed the internal audit programs, reports and remedial action taken;
- Assessed the Group's overall system of internal control;
- Reviewed the Related Party Transactions, the conflict of interest declarations and the Circular to Shareholder in relation to Recurrent Related Party Transactions;
- Reviewed the Audit Planning Memorandum and Audit Review Memorandum with the External Auditors; and
- Reviewed the Risk Management Report.

Audit and Risk Management Committee Report

MEETINGS

The Audit and Risk Management Committee met eight (8) times during the financial year end 31 December 2016. Details of attendance are as follows:

Name of Director	Attendance
Soon Kwai Choy	8/8
Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi	8/8
Chua Teck Leong (Appointed on 22 April 2016)	3/5

EXTERNAL AUDIT FUNCTION

(a) Discussed with the External Auditors before audit commencement on the nature and scope of the audit to be carried out.
(b) Held private session meetings with External Auditors to discuss areas requiring Audit and Risk Management Committee's attention and action.
(c) Deliberated on the External Auditors' report and recommendations regarding areas for improvement on internal controls, identify significant risk areas and impact on financial matters based on observations made in the course of interim and final audit.
(d) Undertook an annual assessment on the suitability and the independence of the External Auditors given that the External Auditors has now been continuously engaged by the Company for a considerable period.
(e) Reviewed the performance of the External Auditors and recommended its re-appointment and remuneration to the Board.

INTERNAL AUDIT FUNCTION

An Internal Audit Function was set up to undertake continuous systematic reviews of the Group's internal control systems so as to provide the Board with reasonable assurance that such systems continue to operate satisfactorily and effectively.

The Group has adopted a risk-based approach to the implementation and monitoring of controls and had carried out an exercise to identify and evaluate the risks associated with the Group.

The cost of internal audit was RM75,000 during the financial year ended 31 December 2016.

Corporate Governance Statement

Acoustech Berhad is committed to business integrity and best practices in all its activities. As part of this commitment, the Board of Directors ("Board") is pleased to report to its shareholders on the application of the Principles as set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") and Corporate Governance Guide 2nd Edition (CGG 2nd Ed.).

1. THE BOARD OF DIRECTORS

1.1 Board Responsibilities

The Board retains effective control of the Company and the Group and is responsible for the overall corporate affairs, strategic direction, formulation of policies and the overall performance of the Company and the Group. The Executive Directors take on primary responsibility for managing the Group's business and resources.

1.2 Board Balance

The Company is led by an experienced Board comprising five (5) members as at the date of this statement, of whom three (3) are Independent Non-Executive Directors and two (2) are Executive Directors.

No individual or group of individuals dominates the Board's decision making. Independent Directors constitute more than one third of the Board and the interest of significant shareholder are fairly represented on the Board. The present Directors bring a wide range of experience and skills relevant to the business of the Group. Brief descriptions on the background of each Director are set out on pages 12 to 14.

One of the recommendations of the MCCG 2012 states that the tenure of an independent director should not exceed a cumulative term of 9 years. However, the Nomination Committee and the Board have determined at their annual assessment determined that all the independent directors are objective and independent in expressing their views and in participating in deliberations and decision making of the Board and Board Committees. The length of their service on the Board does not in any way interfere with the exercise of independent judgement and their ability to act in the best interests of the Company. The Board will table a proposal to retain Mr Soon Kwai Choy as independent director for shareholders' approval at the upcoming Annual General Meeting of the Company.

Currently, the Managing Director also assumes the role as Chairman of the Board. While the Board is mindful that the combined roles is not a best practice, the Board takes into consideration that the Executive Chairman/Managing Director is also the representative of the largest shareholder. In this respect there is assurance of shareholder leadership at the Board level. The Board ensures that a balance of power is retained without the Board being dominated by the Chairman. The Independent Non-Executive Directors provide independent judgment and check and balance on the Board.

The current size and composition of the Board are considered adequate to provide the optimum skills and experience required to manage affairs. Furthermore the Board is of the view that the current Board size is balanced in skills and composition.

1.3 Board Meeting

The Board meets at least four (4) times a year and has a formal schedule of matters reserved for it. Additional meetings are held as and when necessary. During the financial year ended 31 December 2016, six (6) meetings were held in which the Board deliberated upon and considered various issues including the Groups' financial results, annual budgets, performance of the Group's business, major investment, business plan and policies and strategic issues affecting the Group's business. Details of attendance of the Directors at Board meetings held during the financial year are as follows:

	Total Number of Meetings	**Number of Meetings Attended**
Leong Ngai Seng	6	6
Ong Li Tak	6	6
Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi	6	6
Soon Kwai Choy	6	6
Chua Teck Leong (Appointed on 22 April 2016)	4	4

1.4 Supply of Information

The Board has unrestricted access to timely and accurate information necessary in the furtherance of their duties. At each Board meeting, the Managing Director briefs the Board on the Group's activities and operations. Directors have access to the advice and services of the Company Secretary and where necessary, obtain independent professional advise at the Group's expense.

1.5 Board Committees

The Board of Directors delegates certain responsibilities to Board Committees namely the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee in order to enhance business and operational efficiency and effectiveness.

During the financial year under review, the Investment Working Committee was constituted and given the following roles:

- Evaluate and approve all investment opportunities;
- Request for report on existing investments and evaluate against current developments and future contingencies; and
- Assist the Board of Directors, in respect of investment proposals, to:

  (a) Provide oversight on new and/or major investments; and
  (b) Provide guidance and recommendations on investment matters.

The terms of reference of the Investment Working Committee was adopted on 16 November 2016.

1.6 Appointments to the Board

The duties and functions of the Nomination Committee encompass the following:-

- Recommend to the Board, candidates nominated by shareholders or the Board for directorships to be filled;
- Recommend to the Board, directors to fill seats on board committees;
- Review annually the required skills and experience and other qualities and core competencies Non-Executive Directors should bring to the Board; and
- Assess annually the effectiveness of the Board as a whole and the contribution of each individual director.

The decision on new appointment of directors rests with the Board after considering the recommendation of the Nomination Committee. In evaluating the suitability of candidates to the Board the Nomination Committee will consider certain criteria such as skills, knowledge, expertise, experience, integrity, commitment, background, boardroom diversity and the ability of the candidate to discharge his/her duties as expected.

The members of the Nomination Committee are as follows:-

Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi (Chairman)	-	Senior Independent Non-Executive Director
Soon Kwai Choy (Member)	-	Independent Non-Executive Director
Chua Teck Leong (Member)	-	Independent Non-Executive Director

During the financial year under review, the Committee met once to conduct the annual review on the Directors' core competencies, contribution, effectiveness and conducted a review on the independence of the independent directors. The MCCG 2012 and CGG 2nd Ed recommends that the Chair of the Nomination Committee should be the Senior Independent Director identified by the Board. En. Rahizal Bin TYT Dato' Ahmad Rasidi, who is the Chairman of the Nomination Committee and a member of the Audit and Risk Management Committee and Remuneration Committee, acts as the Senior Independent Non-Executive Director. Any concerns with regards to the Group may be conveyed to him.

1.7 Re-election of Directors

In accordance with the Company's Constitutions, one-third of the Directors are required to submit themselves for re-election by rotation at least once every three years at each Annual General Meeting ("AGM"). Retiring Directors can offer themselves for re-election.

Directors who are appointed during the financial year are, in accordance with the Company's Constitutions, required to retire at the AGM following their appointment but are eligible for re-election by the shareholders.

1.8 Board Assessment

(a) On an annual basis, the performance of the Board and its members are evaluated on effectiveness in the following areas:

- i. Board responsibilities
- ii. Board composition
- iii. Board remuneration
- iv. Board Committees: evaluation and self-evaluation
- v. Board conduct
- vi. Managing Director performance
- vii. Board administration and process

(b) A set of questionnaires is given to Directors to complete. The questionnaire covers the following sections in respect of the financial year under review:

- i. Independent Directors' Self-Assessment Form
- ii. Directors' Evaluation Form
- iii. Board Skills Matrix Form
- iv. Board & Board Committee Evaluation Form

(c) The findings are as follows:

- i. Subsequent to the performance assessment for 2016, the Board has concluded that the Board as a whole and its Committees function effectively. The Board is satisfied that each Director continues to contribute to the Board effectively, is well prepared and with knowledge of matters considered by the Board, has good insight of the Group's operations and financial matters. They remain committed to their responsibilities as Board members.
- ii. The Directors are of opinion that Board meetings are convened with open and constructive communication, free expression of ideas and opinions to propagate meaningful discussions and decision making.
- iii. The independence of the three Independent Non-Executive Directors remains valid as the Directors are not involved in any business, transactions or other relationships with the Group that jeopardizes the exercise of independent judgement and opinion.

1.9 Directors Training

All Directors of the Company have attended Bursa Malaysia's Mandatory Accreditation Programme ("MAP").

During the financial year ended 31 December 2016, the Directors have attended the following training programmes to further enhance their skills and knowledge to keep abreast with the latest regulatory changes relevant to the Company's business. However, due to extensive traveling throughout the year, En Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi did not manage to attend any training.

Directors	Training attended	Date
Leong Ngai Seng	CG Breakfast Series: "How to Leverage on AGMs for Better Engagement with Shareholders"	21 November 2016
Ong Li Tak	Mandatory Accreditation Programme	3 & 4 August 2016
Soon Kwai Choy	FBTA Expert Series: "Human, Public and Corporate Governance Perspectives Talk"	27 October 2016
Chua Teck Leong	(a) Mandatory Accreditation Programme	3 & 4 August 2016
	(b) Sustainability Engagement Series for Directors/ Chief Executive Officer	13 March 2017

1.10 Succession planning

The Board has put in place succession planning by seeking younger directors within the Board and senior management to assume greater responsibilities and different roles within the organisation. At the senior management level, young and designated aspiring executives were selected and exposed to current management practices where they were guided and mentored by senior staff through continuous on the job training and exposure.

1.11 Gender Diversity

The Board supports the gender boardroom diversity as recommended under the MCCG 2012 and CGG 2nd Ed. The Board will review the appropriate proportion of female to male Directors on the Board at the time of considering appointment of new Directors to the Board. Apart from gender boardroom diversity, the Board also supports diversity in ethnicity and age. The Board will review the appropriate proportion of the age group and ethnicity of Board members at the time of considering appointment of new Directors to the Board.

1.12 Director Training Needs and Effectiveness

The evaluation on the effectiveness of the Board of is conducted through a self-assessment methodology whereby a set of Questionnaires namely, the "Evaluation of the Effectiveness of the Board Questionnaire" for the period under review is used by all members of the Board for their completion.

2. DIRECTORS' REMUNERATION

The Board has set up the Remuneration Committee whose primary responsibility include reviewing and making recommendations on remuneration packages and policies applicable to the Chairman, Managing Director, Senior Executives and Directors themselves.

The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages. Individual Directors are required to abstain from discussion on their own remuneration. The determination of the remuneration of Non-Executive Directors is a matter for the Board as a whole.

The members of the Remuneration Committee are as follows:

Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi (Chairman)	-	Senior Independent Non-Executive Director
Soon Kwai Choy (Member)	-	Independent Non-Executive Director
Ong Li Tak (Member)	-	Executive Director

During the financial year under review, the Committee met once to review the principles and guidelines on directors' remuneration adopted by the Board and the levels of remuneration applied.

For the financial year ended 31 December 2016, the remuneration of the Directors received from the Company and Group are as follows:

	Fees RM	Emoluments RM	Benefits-in-kind RM	Total Remuneration RM
Executive Directors	93,333	719,206	-	812,539
Non-Executive Directors	106,667	116,433	-	223,100
	200,000	835,639	-	1,035,639

The number of Directors whose total remuneration falls within the following bands is as follows:-

	Executive Directors	Non-Executive Directors
Below RM50,000	-	-
RM50,001 – RM100,000	-	3
RM100,001 – RM250,000	-	-
RM250,001 – RM300,000	-	-
RM300,001 – RM350,000	1	-
RM350,001 – RM400,000	-	-
RM400,001 – RM450,000	-	-
RM450,001 – RM500,000	-	-
RM500,001 – RM550,000	1	-
RM550,001 – RM600,000	-	-
RM600,001 – RM650,000	-	-
RM650,001 – RM700,000	-	-
RM900,000 – RM950,000	-	-

3. SHAREHOLDERS

The Board of Directors recognizes the importance of communication and timely dissemination of information to shareholders. The Board believes in clear and regular communication with its shareholders and institutional investors. The Annual Report, announcements through Bursa Link on financial results on a quarterly and other disclosures provide an avenue to disseminate information to the shareholders with an overview of the Group's performance and its business activities.

General Meetings serve as the principal forum for communicating with the shareholders of the Company. The Board encourages participation of shareholders at the General Meeting to ensure a high level of accountability and identification with the Group's strategy and goals and where required voting by poll (note: Recommendation 8.2).

The Board intentionally allocates time for question and answer sessions during General Meetings.

The Company follows a continuous disclosure policy, making announcements to the Bursa Malaysia when it becomes aware of information which might materially affect the price of its shares.

Shareholders and/or stakeholders are welcomed to raise queries by contacting the Executive Directors throughout the year. It is the intention of the Board to resume actively engaging the investing public with briefings and press releases, as and when appropriate and in line with Bursa Malaysia regulations, so as to ensure that the public is aware of significant developments.

4. ACCOUNTABILITY AND AUDIT

4.1 Financial Reporting

The Board aims to provide and present a balanced and clear assessment of the Groups' financial performance and prospect primarily through the annual financial statements and quarterly report as well as announcements to the Bursa Malaysia. The Audit Committee and Risk Management assists the Board in scrutinizing information for disclosure to ensure compliance with accounting standard, accuracy, adequacy and completeness.

4.2 Statement of Directors' Responsibility in respect of audit financial statements

The Board is responsible for ensuring that the financial statements of the Group gives a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of their income statements and cashflows for the period. These involve Directors selecting suitable accounting policies and then applying them consistently and make judgements and estimates that are reasonable and prudent. The Directors have the responsibility of ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Group and of the Company and which ensures that the financial statements comply with the Companies Act, 1965.

4.3 Internal Control and Risk Management

The Directors are responsible for the Group's system of internal controls and its effectiveness. The principal aim of the system of internal controls is the management of financial and business risks that are significant to the fulfilment of the Group's business objectives, which is to enhance the value of shareholders' investment and safeguarding the Group's assets.

The Audit Committee and Risk Management summarises and communicates the key business risks to the Board for consideration and resolution. Internal audit activities are conducted in-house. The internal audit conducted its work based on an annual internal audit plan which was tabled before and approved by the Audit Committee and Risk Management. The internal audit functions are carried out impartially, proficiently and with due professional care. Reports issued by the internal audit for the financial year under review were tabled at Audit Committee and Risk Management meetings. Management was present at such meetings to provide pertinent clarification or additional information to address questions raised by Audit and Risk Management committee members.

The Group operates a comprehensive budgeting and financial reporting system, which compares actual performance to budget on monthly and quarterly basis which allows management to monitor financial and operational performance on a continuing basis.

The Statement of Risk Management and Internal Control of the Group are set out on pages 31 to 34 of the Annual Report.

4.4 Compliance Statement

The Board adopted and formalized the following to be in line with the recommendations of the MCCG :

i) Board Charter
ii) Code of Ethics
iii) Code of Conduct
iv) Remuneration Committee Charter
v) Nomination Committee Charter
vi) Corporate Disclosure Policy
vii) Sustainability Policy

The Board, will continue to adopt the principles and recommendation of the MCCG.

4.5 Relationship with the Auditors

The external auditors, Messrs BDO have continued to report to members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so the Company has established a transparent arrangement with the auditors to meet their professional requirements.

The auditors have, from time to time, highlighted to the Audit and Risk Management Committee and the Board matters requiring the Board's attention.

Other Information

Conflict of Interests

None of the Directors have any family relationships with other Directors or major shareholders of the Company.

Convictions for Offences

None of the Directors have been convicted for offences within the past five years other than traffic offences, if any.

Utilisation of Proceeds

There were no issuance of new shares, rights issue or issuance of bonds during the financial year.

Imposition of Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company or its subsidiaries, Directors or Management by relevant regulatory bodies during the financial year.

Share Buybacks

The Company acquired 925,600 of its own shares via share buy backs during the financial year.

Option, Warrants or Convertible Securities

There was no exercise of option, warrants or convertible securities during the financial year.

American Depository Receipts (ADR) and Global Depository Receipts (GDR)

The Company has not sponsored any ADR or GDR programme for the financial year.

Non-Audit Fees

There were no non-audit fees paid to the external auditors for the financial year.

Profit Estimates, Forecast or Projections

The Company did not make any release on profit estimates, forecast or projections during the financial year.

Profit Guarantee

There was no profit guarantee given by the Company during the financial year.

Other Information

Material Contracts

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Acoustech or its subsidiary companies within the past one (1) years:-

(a) On 18 May 2016, Teras Eco Sdn Bhd ("TESB") entered into a Development Agreement with PIJ Property Development Sdn Bhd for the development of sixty (60) units of three storey shop offices, among others, on a piece of land held under PTD 9378 located in Tanjung Sepang, District of Kota Tinggi, State of Johor.

(b) On 23 June 2016, the Company entered into a Framework Agreement ("FA") with Stone Master Corporation Berhad ("SMCB") where SMCB agrees to offer building and construction material related products and/or services under an interest free vendor financing program to the Company.

(c) On 3 November 2016, the Company entered into a Joint Venture cum Shareholders' Agreement with Harum Megah Resources Sdn Bhd, Jaya Dormitory Sdn Bhd and HED for the purpose of participating in a project to jointly develop and construct 5 blocks of hostels consisting of 120 residential hostel units on a freehold land measuring 7.37 acres held under title particulars H.S.(D) 215993 PTD 75283 located in Bandar Baru Permas Jaya, Mukim of Plentong, District of Johor Bahru, State of Johor ("Land").

On 15 December 2016, TESB entered into a Sale and Purchase Agreement ("SPA") with HED for the disposal of the Land for a cash consideration of RM20,000,000.00.

None of the above involve the interests of the Directors or major shareholders.

Save for the above, there were no other corporate proposals announced which remained incomplete.

Recurrent Related Party Transactions of a Revenue or Trading Nature

Details of transactions with related parties undertaken by the Group during the financial year under review are disclosed in Note 39 to the financial statements.

Contracts Relating to Loans

There was no contract relating to loans by the Company.

Corporate Responsibility Statement

Across all Group's activities, Acoustech Berhad ("ACOSTEC") Group recognises the responsibility we have towards our people and the communities and environments in which we operate. ACOSTEC Group continuously develops, implements, maintains, reviews and improves its sustainable development in alignment with the following commitments:

1. MARKET PLACE

1.1 Implement and maintain ethical business practices and sound systems of corporate governance by:

- abiding or acceding to the requirements of laws and regulations; and
- working with governments, industry and other stakeholders to develop sustainable development strategies.

1.2 Integrate sustainable development considerations within the corporate decision-making process by:

- adopting sustainable development practices throughout the product life cycle-plan, design, operation and closure;
- engaging regularly with people affected by its operations, and take their views and concerns into account in decision making;
- encouraging suppliers, business partners and customers to adopt practices comparable to ACOSTEC's; and
- train our employees and contracted workers to ensure adequate competency with regards to its sustainable development objectives.

2. COMMUNITY

2.1 Contribute to the social, economic and institutional development of the communities in which it operates by developing partnerships that foster the sustainable development of the host communities to enhance economic benefits from its operations.

2.2 Implement effective engagement, communication and reporting arrangements with stakeholders by establishing processes that enable consultation and feedback with them.

3. WORK PLACE

3.1 Uphold fundamental rights and respect cultures, customs and values in dealings with employees and others who are affected by its activities by encouraging a diverse workforce and providing a work environment in which everyone is treated fairly, with respect and where they can realise their full potential.

3.2 Seek continual improvement of health and safety performance by:

- identifying, assessing and managing risks to employees, contractors, the environment and nearby communities; and
- seeking ways to promote and improve the health of the workforce and the community.

3.3 For the Group, it is reflected in the Occupational Safety and Health procedures. The welfare of our employees and those involved with our business are aligned with all our activities. There are three basic premises that permeate the organization of Occupational Safety and Health Structure:

- Line Responsibility
  Responsibility of the employees and the commitment of the entire workforce regarding the installation, operation and maintenance of the Occupational Safety and Health Management System.

Corporate Responsibility Statement

- Operational Discipline
  Our documentation and our practices take into account safety and health aspects in all stages of our activities. Effective management identifies and embarks on activities that are in compliance with the procedures, regulations, mechanical processes, physical conditions and the capacity of people to continually identify, analyse and minimise exposure to risks and breakdowns.

- Leadership
  The Group believes it is absolutely necessary to cultivate a leadership attributes that permits a process of team preparation and motivation. Occupational Safety and Health performance strongly depends upon the visible commitment of each leader, strict discipline, control and follow-up of each leader.

3.4 Diversity

	Board of Directors Diversity	Group Staff Diversity
2016		
Breakdown by Gender		
Male	5	267
Female	-	94
Total	5	361
Breakdown by Age Group		
< 30	-	164
30 - 50	3	188
> 50	2	9
Total	5	361
Breakdown by Ethnicity		
Malay	1	91
Chinese	4	30
Indian	-	9
Bangladeshi	-	29
Indonesian	-	6
Myanmese	-	62
Nepalese	-	103
Pakistanese	-	25
Vietnamese	-	4
Sri Lankan	-	2
Total	5	361

Corporate Responsibility Statement

4. ENVIRONMENT

4.1 Seek continual improvement of its environmental performance by:

- assessing the positive, negative, indirect and cumulative impact of its projects - from start through to the end; and
- establishing management systems focused on continual improvement through review, prevention, mitigation of adverse environmental impact.

4.2 Contribute to responsible management and protection of biodiversity by seeking best available technologies and processes to control and manage solid waste, liquid effluents and chemical gas emission.

4.3 To enable environmental objectives to be achieved, ACOSTEC will:

- Maintain certification of the ISO 9001 and continue to build on the strength of the system;
- Complete all scheduled audits and ensure findings are closed out in a timely fashion;
- Further develop and refine the environmental management system, including addressing opportunities for improvement raised in the recent surveillance audit; and
- Communicate about and respond to and address incidents and issues in a timely fashion.

4.4 Since these commitments are a critical part of the way ACOSTEC does business, all employees and contracted workers are accountable for making appropriate decisions within the scope of their work responsibilities to ensure these commitments are achieved.

Statement of Risk Management and Internal Control

INTRODUCTION

The Board of Directors is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 December 2016, which has been prepared pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. This statement outlines the nature and state of internal control of the Group (comprising the Company and its subsidiaries) during the financial year.

BOARD'S RESPONSIBILITY

The Board of Directors acknowledges its overall responsibility for maintaining a sound internal control system for the Group to safeguard the shareholder's investment and the Group's assets, and to discharge their stewardship responsibilities in identifying risks and ensuring the implementation of appropriate system to manage these risks in accordance with the best practices of the Malaysian Code on Corporate Governance.

The Board further recognizes its responsibility for reviewing the adequacy and integrity of the Group's internal control system and management information systems.

In view of the limitations that are inherent in any systems of internal control, the Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objective and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process is in place to identify, evaluate and manage the significant risks that may affect the achievement of our business objectives. The process which has been instituted throughout the Group is updated and reviewed from time to time to be relevant to the changes in the business environment, and this on-going process has been in place for the whole financial year under review and up to the date of adoption of this Annual report.

RISK POLICY

Risk is a factor of every-day life and can never be eliminated completely. All employees must understand the nature of risk and accept responsibility for risks associated with their area of authority. The necessary support, assistance and commitment of senior management will be provided.

The policy forms part of the Group's internal control and governance arrangements.

Our risk management objectives are to:

1. Integrate risk management into the culture of the organization.
2. Manage risk in accordance with best practice and provide reasonable assurance regarding the achievement of the Group objective and maximize stakeholder's value.
3. Consider legal compliance as an absolute minimum.
4. Anticipate and respond quickly to social, environmental and legislative change.
5. Prevent injury and damage and reduce the cost of risk.
6. Raise awareness of the need for risk management.

Statement of Risk Management and Internal Control

These objectives will be achieved by:

1. Establishing risk management framework to manage the risks associated with the Group's business activities.
2. Establishing a risk management organizational structure to act in an advisory and guiding capacity and which is accessible to all relevant parties.
3. Adopt processes, which demonstrate that risk management principles are being applied across the whole organization.
4. Provide training in risk awareness.
5. Maintain documented procedures for the control of risk and provision of suitable information, training and supervision.
6. Maintain an appropriate system for recording incidents and carrying out post event checks to ascertain causes and identify preventive measures against re-occurrence.
7. Devise and maintain contingency plans in key risk areas to secure business continuity where there is a potential for an event having a major impact upon the management ability to function.
8. Maintain effective communication and involvement of all staff and stakeholders.
9. Monitor arrangements on an ongoing basis.

The Group adopts the following Risk Management Framework which essentially links the Group's objectives and goals to principle risks. The principle risks are transformed into controls and opportunities that are translated to actions and programs.

RISK MANAGEMENT FRAMEWORK

Its key elements:

Risk Governance

- The Board of Directors (BOD)

  BOD is responsible for compliance with the Listing Requirements of Bursa Malaysia Securities Berhad by ensuring that a sound system of internal controls is maintained to safeguard shareholders' investment and the Group's assets. The BOD through an independent Board Audit Committee would ensure adherence to the Listing Requirements.

- Board Audit Committee (BAC)

  The BAC is to ensure that through risk assessment the significant risks are being identified and appropriate systems are implemented to manage the risks and the adequacy and the integrity of the internal controls are reviewed.

- Risk Management Committee (RMC)

  The RMC is led by the Managing Director who is responsible for control and oversight over the implementation of the risk management process for the Group. The responsibility of implementing the risk management process lies with designated senior officers at the Group level and the subsidiaries level.

- Head of Internal Audit (HIA)

  HIA will be responsible for developing the framework and laying the groundwork for the successful implementation of the groupwide risk management process. He will also coordinate with the designated officers or their representatives to ensure a smooth implementation of the risk assessment exercise and act as a facilitator by conducting trainings and workshops for the operational/functional departments for the business units within the Group.

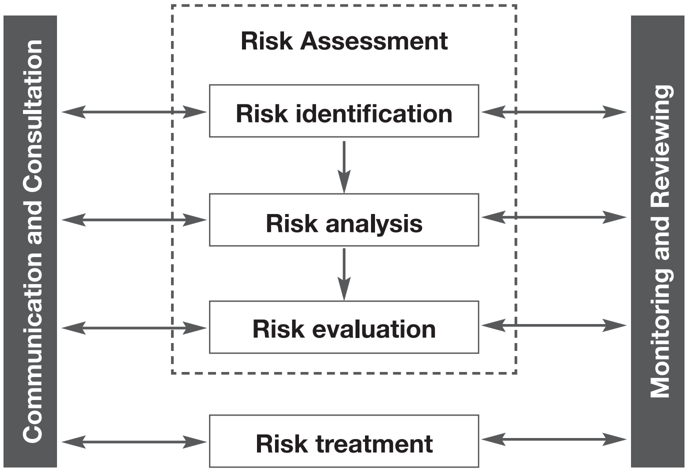
Statement of Risk Management and Internal Control

Risk Assessment Process

The approach used to establish a framework for the group-wide risk management is the technique/methodology referred to as the Control Self-Assessment (CSA), which refers to the process whereby departments/business areas identify and evaluate controls within key functions/activities of their business processes. To assist the business/operating units to approach the exercise in a systematic manner, workshops were conducted for the representatives of the business/operating units to familiarize themselves with the concepts and the framework.

The CSA adopts both bottoms up & top down approach for operation and strategic risks respectively.

The Risk Assessment Process is as follows:



The process is an ongoing process for evaluating and managing any significant risks faced by the Group. This process includes updating the system of internal controls when there are changes to the business environment or regulatory guidelines.

Risk Guidelines

Risks have been defined, described and rated in the framework into 3 categories i.e. High, Medium & Low (H, M & L). The guidelines were duly approved and endorsed by the BAC and BOD.

Reporting

Respective Heads of Divisions/Operating units/Business units had issued a Letter of Assurance addressed to BAC & BOD regarding the CSA carried out by the division/operating/business units respectively. The RMC submits the risk management report to BAC &BOD on an annual basis in the month of February of each year.

Monitoring and Review

Risk management is a dynamic process and an update of the risk profiles are necessary and is an on-going process. Responsibility for monitoring compliance with policies, procedures, guidelines and legislation rests principally with the IAU, which directly reported to the BAC.

Heads of Divisions/Operating units/Business units are actively involved in continually improving the control processes within their respective division/units/department.

The re-assessments are performed annually to ensure proper management of business and operational risks and effectiveness of the control environment.

Statement of Risk Management and Internal Control

INTERNAL CONTROL FUNCTION

Key Processes

Salient features of the key processes of the system of internal control of the Group are as follows:

1. The management structure is well defined, with clear lines of authority and responsibility.
2. The Board continually assesses business performance and evaluates operation controls at all levels, and where necessary takes appropriate remedial action.
3. The Managing Director regularly updates the Board on industry trends, key customers and performance of various units within the Group, and the Board endorses responses taken.
4. Financial results are reviewed quarterly by the Audit Committee and the Board and compared to budgets and forecasts.
5. Executive Directors and Heads of Departments meet regularly to discuss operational, management issues, financial performance and indicators focusing on the evaluation of applicable risks.
6. Operations "ISO Standards 9001:2008 and 14001" and Accounting procedures are communicated to staff at all levels.
7. The Group's Internal Audit Unit (IAU) which reports to the Audit Committee performs regular reviews to assess the effectiveness of internal controls and to identify significant risks. The internal audit control assessment excludes the associate.
8. The Audit Committee reviews actions taken on internal control issues raised by the IAU and external auditors including the audit plans and ensures sufficient cooperation is rendered by employees in carrying out the plans.
9. Formal recruitment, training and development, and performance appraisals are in place to ensure and maintain the professionalism and competency of staff. The resources of the internal audit function and the necessary authority required by IAU officers to carry out their work are also kept in check to ensure smooth running.
10. The Audit Committee reviews the Recurrent Related Party Transactions undertaken by the Group twice a year.
11. The Group has a set of corporate values, ethical behaviour, and a guidance for quality products and services and these are set out in the Group's Employee Handbook and safety Handbook.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Bursa Securities Listing Requirements, the External Auditors have reviewed this Statement on Risk Management & Internal Control. As set out in their terms of engagement, the procedures were performed in accordance with Recommended Practice Guide 5 (Revised) issued by Malaysian Institute of Accountants. Based on their procedures performed, the External Auditor has reported to your Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines for Directors of Listed Issuers, nor is it factually inaccurate.

Conclusion

The Board is of the view that the Group's system of internal control is generally satisfactory.

The cost of internal audit was RM75,000 during the financial year.

The Board has received assurance from the Managing Director that the Company's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group.

The Board and Management will continue to take necessary measure to strengthen the control environment and monitor the effectiveness of the internal control framework of the Group.

FINANCIAL STATEMENTS

Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 10 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	507,308	13,700,552
Attributable to:		
Owners of the parent	507,308	13,700,552
Non-controlling interests	-	-
	507,308	13,700,552

DIVIDEND

Dividend paid, declared and proposed since the end of the previous financial year was as follows:

	RM
In respect of the financial year ended 31 December 2015:	
First and final single tier dividend of 2.5 sen per ordinary share declared on 1 June 2016 and paid on 18 July 2016.	4,178,460

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

Directors' Report

DIRECTORS

The Directors who have held for office since the date of the last report are:

Leong Ngai Seng
Soon Kwai Choy
Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi
Ong Li Tak
Chua Teck Leong (Appointed on 22 April 2016)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2016 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

	Number of ordinary shares of RM0.50 each			
Shares in the Company	**Balance as at 1.1.2016**	**Bought**	**Sold**	**Balance as at 31.12.2016**
<u>Direct interests</u>				
Leong Ngai Seng	4,805,956	-	-	4,805,956
Soon Kwai Choy	400,000	-	-	400,000
<u>Indirect interests</u>				
Leong Ngai Seng#	-	28,468,186	-	28,468,186
Soon Kwai Choy*	610,000	-	-	610,000

* Deemed interests held through spouse.
# Deemed interests pursuant to Section 6A of the Companies Act, 1965 in Malaysia.

By virtue of the interests in the ordinary shares of the Company and pursuant to Section 6A of the Companies Act, 1965 in Malaysia, Leong Ngai Seng is deemed to be interested in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.

The other Directors holding office at the end of the financial year did not have any interest in ordinary shares of the Company or ordinary shares, options over ordinary shares and debentures of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the transactions entered into in the ordinary course of business with companies in which the Directors of the Company have substantial financial interests as disclosed in Note 39 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there are no known bad debts to be written off and that provision need not be made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would necessitate the writing off of bad debts or the making of provision for doubtful debts in the financial statements of the Group and of the Company;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the abilities of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors.

....	....
Leong Ngai Seng	**Ong Li Tak**
Director	Director

Port Klang
17 April 2017

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 46 to 99 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 42 to the financial statements on page 100 has been compiled in accordance with the Guidance on Special Matter *No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

....	....
Leong Ngai Seng	**Ong Li Tak**
Director	Director

Port Klang
17 April 2017

Statutory Declaration

I, Leong Ngai Seng, being the Director primarily responsible for the financial management of Acoustech Berhad, do solemnly and sincerely declare that the financial statements set out on pages 46 to 100 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by	)	
the abovenamed at Kuala Lumpur this	)	
17 April 2017	)	**Leong Ngai Seng**

Before me:

Baloo a/l T. Pichai
No. W 663

No. 102 & 104 1st Floor Bangunan,
Persatuan Yap Selangor,
Jalan Tun HS Lee,
50000 Kuala Lumpur

Independent Auditors' Report

To the members of Acoustech Berhad (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Acoustech Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 99.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for *Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Appropriateness and measurement of carrying amounts of goodwill

As at 31 December 2016, the Group had goodwill amounting to RM23,469,424 which is set out in Note 12 to the financial statements.

We focused on this area as a key audit matter due to the fact that the impairment test calculations are based on several key assumptions which are estimated by management, and are by nature judgemental. Key assumptions include the expected future cash flows projections, the discount rates and growth rate per cash generating unit ("CGU").

Key Audit Matters (continued)

Audit response

Our audit procedures included the following:

(i) compared cash flow projections against recent performance and assessed and challenged the assumptions used in the projections by comparing to actual historical operating profit margins and growth rates;

(ii) compared prior period budgets to actual outcomes to assess reliability of management's forecasting process and controls;

(iii) verified pre-tax discount rate for each CGU by comparing to the weighted average cost of capital (WACC) of the Group and relevant risk factors; and

(iv) performed sensitivity analysis to stress test the key assumptions in the impairment model.

(b) Property development revenue and profit recognition

Revenue from property development during the year as disclosed in Note 27 to the financial statements amounted to RM40,035,943.

Property development revenue and profit recognition involves significant judgement in estimating the stage of completion of property development activities and assessing the forecast costs to completion.

In estimating the total costs to completion, the Group considers the completeness and accuracy of its costs estimation, including its obligations to contract variations, claims and cost contingencies. The total cost to completion including sub-contractor costs, can vary with market conditions and may also be differently forecasted due to unforeseen events during construction.

Audit response

Our audit procedures included the following:

(i) evaluated management's controls relating to revenue recognition including the determination of the percentage of completion and timing of revenue recognition;

(ii) tested the Group's controls by verifying approvals over budgets setting and authorising and recording of costs;

(iii) assessed management's estimate on budgeted costs to be incurred including corroboration of historical budgets with actual costs incurred and through enquiries with operational and financial personnel of the Group and verified documentation to support the cost estimates; and

(iv) recomputed stage of completion determined by management for revenue recognition based on verified actual costs incurred to-date and budgeted costs.

Independent Auditors' Report

To the members of Acoustech Berhad (Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the Group or the Company, or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Auditors’ Responsibilities for the Audit of the Financial Statements (continued)

(d) Conclude on the appropriateness of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Independent Auditors' Report

To the members of Acoustech Berhad (Incorporated in Malaysia)

Other Reporting Responsibilities

The supplementary information set out in Note 42 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO
AF: 0206
Chartered Accountants

Lee Ken Wai
3185/07/17 (J)
Chartered Accountant

Kuala Lumpur
17 April 2017

Statements of Financial Position

As at 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
ASSETS					
Non-current assets					
Property, plant and equipment	7	2,516,989	12,692,981	322,881	-
Investment property	8	1,549,260	-	-	-
Land held for property development	9	38,919,839	55,274,091	-	-
Investments in subsidiaries	10	-	-	76,651,134	76,651,132
Investment in an associate	11	125,635	-	600,000	-
Goodwill	12	23,469,424	23,469,424	-	-
Total non-current assets		66,581,147	91,436,496	77,574,015	76,651,132
Current assets					
Property development cost	13	8,804,958	31,411,326	-	-
Inventories	14	3,022,784	7,903,065	-	-
Trade and other receivables	15	67,526,274	31,740,228	44,000,456	29,941,000
Derivative assets	25	-	9,938	-	-
Current tax assets		1,062,360	249,966	-	-
Short term funds	16	14,798,413	30,058,203	8,286	-
Cash and bank balances	17	12,627,189	5,668,351	3,936,781	486,613
Total current assets		107,841,978	107,041,077	47,945,523	30,427,613
TOTAL ASSETS		174,423,125	198,477,573	125,519,538	107,078,745
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	18	88,910,700	88,910,700	88,910,700	88,910,700
Treasury shares	19	(8,231,980)	(7,620,718)	(8,231,980)	(7,620,718)
Reserves	20	32,969,607	36,640,759	33,869,792	24,347,700
		113,648,327	117,930,741	114,548,512	105,637,682
Non-controlling interests		-	-	-	-
TOTAL EQUITY		113,648,327	117,930,741	114,548,512	105,637,682

The accompanying notes form an integral part of the financial statements.

Statements of Financial Position

As at 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
EQUITY AND LIABILITIES (continued)					
LIABILITIES					
Non-current liabilities					
Term loans	21	21,424,618	25,272,798	-	-
Hire purchase liabilities	22	195,957	233,908	-	-
Deferred tax liabilities	23	125,554	495,051	300,503	-
Total non-current liabilities		21,746,129	26,001,757	300,503	-
Current liabilities					
Trade and other payables	24	29,680,954	45,982,601	10,668,419	1,433,749
Term loan	21	6,792,724	8,053,320	-	-
Hire purchase liabilities	22	37,950	35,967	-	-
Derivative liabilities	25	766,621	-	-	-
Current tax liabilities		1,750,420	473,187	2,104	7,314
Total current liabilities		39,028,669	54,545,075	10,670,523	1,441,063
TOTAL LIABILITIES		60,774,798	80,546,832	10,971,026	1,441,063
TOTAL EQUITY AND LIABILITIES		174,423,125	198,477,573	125,519,538	107,078,745

The accompanying notes form an integral part of the financial statements.

Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Continuing operations					
Revenue	27	114,210,230	108,405,381	15,318,000	5,850,000
Cost of sales	28	(102,580,436)	(94,365,969)	-	-
Gross profit		11,629,794	14,039,412	15,318,000	5,850,000
Other income		1,621,514	9,065,993	1,287,044	600,764
Selling and distribution costs		(1,804,702)	(3,366,104)	-	-
Administrative expenses		(6,618,793)	(6,797,840)	(2,141,755)	(567,300)
Other expenses		(1,652,516)	(2,299,672)	(455,945)	(3,752,917)
Finance costs	29	(111,153)	(26,028)	-	-
Profit before tax	30	3,064,144	10,615,761	14,007,344	2,130,547
Taxation	31	(2,556,836)	(1,462,716)	(306,792)	(8,000)
Profit for the financial year from continuing operations		507,308	9,153,045	13,700,552	2,122,547
Discontinued operations	32				
Profit for the financial year from discontinued operations, net of tax		-	3,012,946	-	-
Profit for the financial year		507,308	12,165,991	13,700,552	2,122,547
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		507,308	12,165,991	13,700,552	2,122,547

The accompanying notes form an integral part of the financial statements.

Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Profit attributable to:					
Owners of the parent		507,308	11,014,688	13,700,552	2,122,547
Non-controlling interests		-	1,151,303	-	-
		507,308	12,165,991	13,700,552	2,122,547
Total comprehensive income attributable to:					
Owners of the parent		507,308	11,014,688	13,700,552	2,122,547
Non-controlling interests		-	1,151,303	-	-
		507,308	12,165,991	13,700,552	2,122,547
Earnings per ordinary share attributable to equity holders of the Company (sen)					
- Basic and diluted	34				
Profit from continuing operations		0.30	5.43		
Profit from discontinued operations		-	1.11		
Profit for the financial year		0.30	6.54		

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2016

Group	Note	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
		← Non-distributable		→	Distributable			
Balance as at 1 January 2015		88,910,700	7,342,201	(7,319,773)	18,239,708	107,172,836	4,198,084	111,370,920
Profit for the financial year		-	-	-	11,014,688	11,014,688	1,151,303	12,165,991
Other comprehensive income, net of tax		-	-	-	-	-	-	-
Total comprehensive income		-	-	-	11,014,688	11,014,688	1,151,303	12,165,991
Transactions with owners								
Repurchase of treasury shares	19	-	-	(300,945)	-	(300,945)	-	(300,945)
Acquisition of additional interest in subsidiary	36	-	-	-	44,162	44,162	(1,407,084)	(1,362,922)
Dividend paid to non-controlling interest of a subsidiary	10	-	-	-	-	-	(1,950,000)	(1,950,000)
Disposal of a subsidiary	38	-	-	-	-	-	(1,992,303)	(1,992,303)
Total transactions with owners		-	-	(300,945)	44,162	(256,783)	(5,349,387)	(5,606,170)
Balance as at 31 December 2015		88,910,700	7,342,201	(7,620,718)	29,298,558	117,930,741	-	117,930,741

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2016

Group	Note	Non-distributable Share capital RM	Non-distributable Share premium RM	Non-distributable Treasury shares RM	Distributable Retained earnings RM	Total equity RM
Balance as at 1 January 2016		88,910,700	7,342,201	(7,620,718)	29,298,558	117,930,741
Profit for the financial year		-	-	-	507,308	507,308
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income		-	-	-	507,308	507,308
Transactions with owners						
Repurchase of treasury shares	19	-	-	(611,262)	-	(611,262)
Dividend paid	33	-	-	-	(4,178,460)	(4,178,460)
Total transactions with owners		-	-	(611,262)	(4,178,460)	(4,789,722)
Balance as at 31 December 2016		88,910,700	7,342,201	(8,231,980)	25,627,406	113,648,327

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity

For the financial year ended 31 December 2016

		Non-distributable			Distributable	
Company	**Note**	**Share capital RM**	**Share premium RM**	**Treasury shares RM**	**Retained earnings RM**	**Total equity RM**
Balance as at 1 January 2015		88,910,700	7,342,201	(7,319,773)	14,882,952	103,816,080
Profit for the financial year		-	-	-	2,122,547	2,122,547
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income		-	-	-	2,122,547	2,122,547
Transaction with owners						
Repurchase of treasury shares	19	-	-	(300,945)	-	(300,945)
Total transaction with owners		-	-	(300,945)	-	(300,945)
Balance as at 31 December 2015		88,910,700	7,342,201	(7,620,718)	17,005,499	105,637,682
Profit for the financial year		-	-	-	13,700,552	13,700,552
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income		-	-	-	13,700,552	13,700,552
Transaction with owners						
Repurchase of treasury shares	19	-	-	(611,262)	-	(611,262)
Dividend paid	33	-	-	-	(4,178,460)	(4,178,460)
Total transaction with owners		-	-	(611,262)	(4,178,460)	(4,789,722)
Balance as at 31 December 2016		88,910,700	7,342,201	(8,231,980)	26,527,591	114,548,512

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows

For the financial year ended 31 December 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax from:					
Continuing operations		3,064,144	10,615,761	14,007,344	2,130,547
Discontinued operations	32	-	3,062,946	-	-
Adjustments for:					
Depreciation of property, plant and equipment	7	573,875	1,391,226	24,456	-
Dividend income		-	-	(15,318,000)	(5,850,000)
Loss/(Gain) on fair valuation of derivative financial instruments	25(c)	776,559	(62,169)	-	-
Short term funds		3,781	-	3,781	-
Gain on disposal of property, plant and equipment		(553,243)	(4,644,380)	-	-
Income distribution from short term funds		(358,228)	(1,499,110)	(8,695)	(548,659)
Interest expense		95,925	6,711	-	-
Interest income		(49,334)	(333,622)	(26,254)	(52,105)
Interest income from subsidiaries		-	-	(1,252,095)	-
Loss on disposal of a subsidiary	38	-	229,300	-	3,143,668
Net unrealised loss on foreign exchange		70,377	441,982	-	-
Net unrealised loss on disposal of land to an associate	11	474,365	-	-	-
Property, plant and equipment written off	7	9,910	311	-	-
Share of losses of a joint venture, net of tax	32	-	3,154	-	-
Operating profit/(loss) before changes in working capital		4,108,131	9,212,110	(2,569,463)	(1,176,549)
Changes in working capital:					
Property development costs		23,267,772	3,784,648	-	-
Land held for property development		16,354,252	(774,091)	-	-
Inventories		4,880,281	3,466,378	-	-
Trade and other receivables		(35,704,099)	8,339,441	(7,361)	3,477,000
Trade and other payables		(16,539,721)	(38,728,679)	234,670	(6,058)
Cash (used in)/generated from operations		(3,633,384)	(14,700,193)	(2,342,154)	2,294,393
Tax paid		(2,461,494)	(1,516,827)	(11,499)	(4,686)
Tax refunded		-	144,032	-	49,617
Net cash (used in)/from operating activities		(6,094,878)	(16,072,988)	(2,353,653)	2,339,324

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows

For the financial year ended 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of additional interest in a subsidiary	36	-	(1,362,922)	-	-
Acquisition of subsidiaries, net of cash and cash equivalents acquired		-	(28,307,320)	(2)	(29,042,855)
Investment in an associate	11	(600,000)	-	(600,000)	-
(Cash outflows)/inflows from disposal of a subsidiary, net of cash and cash equivalents disposed of	38	-	(2,152,080)	-	5,750,000
Dividends received from subsidiaries		-	-	15,318,000	5,850,000
Income distribution received from short term funds		354,447	1,499,110	4,914	548,659
Interest received		49,334	333,622	26,254	52,105
Interest income from subsidiaries		-	-	1,252,095	-
Purchase of property, plant and equipment	7	(876,550)	(482,094)	(347,337)	-
Construction of investment property	8	(1,549,260)	-	-	-
Proceeds from disposal of property, plant and equipment		11,022,000	28,050,000	-	-
Repayments by a joint venture		-	223,783	-	-
Advances to by subsidiaries		-	-	(5,052,095)	(2,706,411)
Withdrawals of short term funds		-	1,033,301	-	-
Net cash from/(used in) investing activities		8,399,971	(1,164,600)	10,601,829	(19,548,502)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid to:					
- ordinary shareholders of the Company	33	(4,178,460)	-	(4,178,460)	-
- non-controlling interest of a subsidiary		-	(1,950,000)	-	-
Repayment of:					
- hire purchase liabilities		(35,968)	(13,344)	-	-
- term loans		(5,108,776)	(1,137,660)	-	-
Repurchase of treasury shares	19	(611,262)	(300,945)	(611,262)	(300,945)
Interest paid		(757,329)	(860,993)	-	-
Net cash used in financing activities		(10,691,795)	(4,262,942)	(4,789,722)	(300,945)
Net (decrease)/increase in cash and equivalents		(8,386,702)	(21,500,530)	3,458,454	(17,510,123)
Effects of exchange rate changes on cash and cash equivalents		85,750	(285,108)	-	-
Cash and cash equivalents at beginning of of financial year		35,726,554	57,512,192	486,613	17,996,736
Cash and cash equivalents at end of financial year	17(e)	27,425,602	35,726,554	3,945,067	486,613

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

31 December 2016

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200, Kuala Lumpur.

The principal place of business of the Company is located at No. 2, Jalan 1, Bandar Sultan Suleiman, Taiwanese Industrial Park, 42000 Port Klang, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 31 December 2016 comprise the Company and its subsidiaries and the interests of the Group in associates. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 17 April 2017.

2. PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 10 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the requirements of the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised MFRSs which are mandatory for financial periods beginning on or after 1 January 2016 as disclosed in Note 5.1 to the financial statements.

However, Note 42 to the financial statements set out on page 100 has been prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

4. BASIS OF ACCOUNTING

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity with MFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

5. ADOPTION OF MFRSs AND AMENDMENTS TO MFRSs

5.1 New MFRSs adopted during the financial year

On 1 January 2016, the Group and the Company adopted the following Standards that are mandatory for annual financial periods beginning on or after 1 January 2016.

Title	Effective Date
MFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendments to MFRS 10, *MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to MFRS 101 *Disclosure Initiative*	1 January 2016
Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to MFRS 127 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to MFRSs *Annual Improvements to 2012-2014 Cycle*	1 January 2016

There is no material impact upon the adoption of these Standard and Amendments during the financial year, other than the adoption of Amendments to MFRS 101 *Disclosure Initiative*, which resulted in the following:

(a) Grouping together supporting information for items presented in the statements of financial position, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows, in the order in which each statement and each line item is presented.

(b) Disclosures of only significant accounting policies comprising the measurement bases used in preparing the financial statements and other accounting policies that are relevant to the financial statements.

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2017

The Standards that are issued but not yet effective up to the date of issuance of financial statements of the Group and of the Company are disclosed below. The Group and the Company intend to adopt these Standards, if applicable, when they become effective.

Title	Effective Date
Amendments to MFRS 12 *Annual Improvements to MFRS Standards 2014 – 2016 Cycle*	1 January 2017
Amendments to MFRS 107 *Disclosure Initiative*	1 January 2017
Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 9 *Financial Instruments (IFRS 9 as issued by IASB in July 2014)*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
MFRS 16 *Leases*	1 January 2019
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture*	Deferred

The Group and the Company is in the process of assessing the impact of implementing these Standards, since the effects would only be observable in the future financial years.

6. OPERATING SEGMENTS

Acoustech Berhad and its subsidiaries are principally engaged in manufacturing and trading of speaker units, multimedia speakers systems, electrical equipment and developing properties.

Acoustech Berhad has arrived at three (3) (2015: four (4)) reportable segments that are organised and managed separately according to the business segments, which requires different business and marketing strategies. The reportable segments are summarised as follows:

(i) Audio division

Manufacturing, assembly and sales of speaker units and multimedia speaker systems, including component parts.

(ii) Property development division

Developing of properties.

(iii) Investment holding division

Investing activities where investments contribute dividend income and interest income as well as sharing of results of the investee companies.

(iv) Electrical equipment division

Manufacturing and distribution of electrical equipment. In the previous financial year, this segment ceased its business operations upon the completion of disposal of manufacturing assets and was reclassified as discontinued operations as disclosed in Note 32 to the financial statements.

Segment performance is evaluated based on operating profit, excluding non-recurring losses, and in certain respect as explained in the table below, it is measured differently from operating profit in consolidated financial statements.

Inter-segment revenue is carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties and is eliminated on the consolidated financial statements. These policies have been applied constantly throughout the current and previous financial years.

Segment assets exclude tax assets, investments and assets used primarily for corporate purposes.

Segment liabilities exclude tax liabilities. Details are provided in the reconciliations from segment assets and liabilities to the financial position of the Group.

6. OPERATING SEGMENTS (continued)

Group 2016	Audio division RM	Property development division RM	Investment holding division RM	Total RM
Revenue				
Total revenue	54,174,287	62,792,439	15,318,000	132,284,726
Inter-segment revenue	-	(2,756,496)	(15,318,000)	(18,074,496)
Revenue from external customers	54,174,287	60,035,943	-	114,210,230
Interest income	22,924	156	26,254	49,334
Income distribution from short term funds	349,533	-	8,695	358,228
Interest expense	(40)	(95,885)	-	(95,925)
Net interest income/(expense)	372,417	(95,729)	34,949	311,637
Results				
Segment (loss)/profit before tax	(2,803,930)	8,430,824	(2,562,750)	3,064,144
Assets				
Segment assets	35,730,233	132,755,223	4,875,309	173,360,765
Liabilities				
Segment liabilities	7,181,974	51,048,432	668,418	58,898,824
Other information				
Capital expenditure	522,895	6,318	347,337	876,550
Depreciation of property, plant and equipment	482,405	67,014	24,456	573,875
Fair value adjustment on derivative financial instruments	776,559	-	-	776,559

Notes to the Financial Statements

31 December 2016

6. OPERATING SEGMENTS (continued)

Group 2015	Audio division RM	Property development division RM	Investment holding division RM	Total continuing operations RM	Electrical equipment divisions (Discontinued operations) RM	Total RM
Revenue						
Total revenue	88,030,983	20,374,398	5,850,000	114,255,381	-	114,255,381
Inter-segment revenue	-	-	(5,850,000)	(5,850,000)	-	(5,850,000)
Revenue from external customers	88,030,983	20,374,398	-	108,405,381	-	108,405,381
Interest income	39,887	56,168	52,105	148,160	185,462	333,622
Income distribution from short term funds	789,283	-	548,659	1,337,942	161,168	1,499,110
Interest expense	-	(6,722)	-	(6,722)	-	(6,722)
Net interest income	829,170	49,446	600,764	1,479,380	346,630	1,826,010
Results						
Segment profit/(loss) before tax	7,793,715	3,623,978	(801,932)	10,615,761	3,066,100	13,681,861
Share of loss of a joint venture, net of tax	-	-	-	-	(3,154)	(3,154)
	7,793,715	3,623,978	(801,932)	10,615,761	3,062,946	13,678,707
Assets						
Segment assets	73,872,528	123,868,466	486,613	198,227,607	-	198,227,607
Liabilities						
Segment liabilities	17,324,183	61,820,662	433,749	79,578,594	-	79,578,594
Other information						
Capital expenditure	482,094	-	-	482,094	-	482,094
Depreciation of property, plant and equipment	1,377,164	14,062	-	1,391,226	-	1,391,226
Fair value adjustment on derivative financial instruments	(62,169)	-	-	(62,169)	-	(62,169)

6. **OPERATING SEGMENTS (continued)**

Reconciliations of reportable profit or loss, assets and liabilities to the Group's corresponding amounts are as follows:

	2016			2015		
	Continuing operations RM	**Discontinued operations RM**	**Total RM**	**Continuing operations**	**Discontinued operations RM**	**Total RM**
RM						
Profit for the financial year						
Total profit before tax for reportable segments	3,064,144	-	3,064,144	10,615,761	3,062,946	13,678,707
Taxation	(2,556,836)	-	(2,556,836)	(1,462,716)	(50,000)	(1,512,716)
Profit after tax	507,308	-	507,308	9,153,045	3,012,946	12,165,991
Non-controlling interests	-	-	-	-	(1,151,303)	(1,151,303)
Profit for the financial year	507,308	-	507,308	9,153,045	1,861,643	11,014,688
Assets						
Total assets for reportable segments	173,360,765	-	173,360,765	198,227,607	-	198,227,607
Current tax assets	1,062,360	-	1,062,360	249,966	-	249,966
Group's assets	174,423,125	-	174,423,125	198,477,573	-	198,477,573
Liabilities						
Total liabilities for reportable segments	58,898,824	-	58,898,824	79,578,594	-	79,578,594
Deferred tax liabilities	125,554	-	125,554	495,051	-	495,051
Current tax liabilities	1,750,420	-	1,750,420	473,187	-	473,187
Group's liabilities	60,774,798	-	60,774,798	80,546,832	-	80,546,832

6. OPERATING SEGMENTS (continued)

Geographical information

The Group operates wholly in Malaysia. The revenue disclosed in geographical segments is based on the geographical location of its customers. The composition of each geographical segment is as follows:

(i) Malaysia : Manufacturing, assembly and sales of speaker units and multimedia speaker systems, including component parts and investment holding, and property development.

(ii) Asia : Sales of speaker units and multimedia speaker systems, including component parts.

The following table provides an analysis of the revenue of the Group by geographical segments:

	Group	
Revenue	**2016 RM**	**2015 RM**
Malaysia	109,412,733	102,123,020
Asia	4,797,497	6,282,361
	114,210,230	108,405,381

All the assets and capital expenditure of the Group are located within Malaysia.

Major Customers

The following are major customers with revenue equal or more than ten percent (10%) of Group revenue:

	Revenue		
	2016 %	**2015 %**	**Segment**
- Customer A	34.03	58.6	Audio division
- Customer B	17.51	-	Property development division
	51.54	58.6	

7. PROPERTY, PLANT AND EQUIPMENT

Group 2016	Balance as at 1.1.2016 RM	Additions RM	Disposals RM	Written off RM	Depreciation charge for the financial year RM	Balance as at 31.12.2016 RM
Carrying amount						
Factory buildings	6,445,540	-	(6,445,540)	-	-	-
Leasehold land	3,409,976	-	(3,409,976)	-	-	-
Plant, machinery and equipment	1,231,298	379,623	-	-	(306,751)	1,304,170
Office equipment	59,914	128,698	-	(8,297)	(34,482)	145,833
Furniture and fittings	36,305	124,860	-	-	(20,549)	140,616
Motor vehicles	688,465	-	-	-	(160,747)	527,718
Renovations and installations	666,348	223,819	(613,241)	-	(18,392)	258,534
Canteen equipment	72,143	-	-	-	(18,367)	53,776
Computers	82,992	19,550	-	(1,613)	(14,587)	86,342
	12,692,981	876,550	(10,468,757)	(9,910)	(573,875)	2,516,989

	At 31.12.2016		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Factory buildings	-	-	-
Leasehold land	-	-	-
Plant, machinery and equipment	5,845,047	(4,540,877)	1,304,170
Office equipment	276,488	(130,655)	145,833
Furniture and fittings	223,443	(82,827)	140,616
Motor vehicles	1,785,410	(1,257,692)	527,718
Renovations and installations	296,544	(38,010)	258,534
Canteen equipment	245,797	(192,021)	53,776
Computers	135,378	(49,036)	86,342
	8,808,107	(6,291,118)	2,516,989

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2015	Balance as at 1.1.2015 RM	Additions RM	Disposals RM	Acquisition of a subsidiary (Note 37(a)) RM	Written off RM	Depreciation charge for the financial year RM	Balance as at 31.12.2015 RM
Carrying amount							
Factory buildings	16,081,930	-	(9,326,550)	-	-	(309,840)	6,445,540
Leasehold land	5,602,952	-	(2,117,443)	-	-	(75,533)	3,409,976
Plant, machinery and equipment	6,190,210	392,040	(4,851,376)	-	(95)	(499,481)	1,231,298
Office equipment	198,633	-	(176,172)	53,057	(36)	(15,568)	59,914
Furniture and fittings	42,693	-	(35,886)	35,092	(180)	(5,414)	36,305
Motor vehicles	571,823	-	-	318,989	-	(202,347)	688,465
Renovations and installations	2,015,640	90,054	(1,233,024)	54,623	-	(260,945)	666,348
Canteen equipment	91,771	-	-	-	-	(19,628)	72,143
Computers	-	-	-	85,462	-	(2,470)	82,992
	30,795,652	482,094	(17,740,451)	547,223	(311)	(1,391,226)	12,692,981

	At 31.12.2015		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Factory buildings	9,328,064	(2,882,524)	6,445,540
Leasehold land	3,722,318	(312,342)	3,409,976
Plant, machinery and equipment	7,728,038	(6,496,740)	1,231,298
Office equipment	252,770	(192,856)	59,914
Furniture and fittings	153,128	(116,823)	36,305
Motor vehicles	1,884,410	(1,195,945)	688,465
Renovations and installations	2,287,609	(1,621,261)	666,348
Canteen equipment	245,797	(173,654)	72,143
Computers	118,517	(35,525)	82,992
	25,720,651	(13,027,670)	12,692,981

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2016	**Balance as at 1.1.2016 RM**	**Additions RM**	**Depreciation charge for the financial year RM**	**Balance as at 31.12.2016 RM**
Carrying amount				
Office equipment	-	14,118	(1,372)	12,746
Furniture and fittings	-	94,038	(9,404)	84,634
Renovations and installations	-	223,819	(11,120)	212,699
Computers	-	15,362	(2,560)	12,802
	-	347,337	(24,456)	322,881

	At 31.12.2016 Cost RM	**Accumulated depreciation RM**	**Carrying amount RM**
Office equipment	14,118	(1,372)	12,746
Furniture and fittings	94,038	(9,404)	84,634
Renovations and installations	223,819	(11,120)	212,699
Computers	15,362	(2,560)	12,802
	347,337	(24,456)	322,881

(a) Each class of property, plant and equipment are measured after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses.

(b) Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The estimated useful lives represent common life expectancies applied in the industry within which the Group operates. The principal depreciation periods are as follows:

Factory buildings	50 years
Leasehold land	60 - 99 years
Plant, machinery and equipment	1 - 10 years
Office equipment	1 - 10 years
Furniture and fittings	1 - 10 years
Motor vehicles	5 years
Renovations and installations	1 - 10 years
Canteen equipment	1 - 10 years
Computers	1 - 10 years

7. PROPERTY, PLANT AND EQUIPMENT (continued)

(c) During the financial year, a subsidiary of the Company, Formosa Prosonic Technics Sdn. Bhd. ("FPT"), entered into a Sale and Purchase Agreement ("SPA") to dispose its property, plant and equipment to a related party, Full Sprint Sdn. Bhd. for a consideration of RM11,000,000.

	Carrying amount RM
Factory buildings	6,445,540
Leasehold land	3,409,976
Renovations and installations	613,241
	10,468,757

(d) In the previous financial year, a subsidiary of the Company, FPT, entered into a SPA to dispose its property, plant and equipment as follows to a related party, Formosa Prosonic Industries Berhad for a consideration of RM20,050,000.

	Carrying amount RM
Factory buildings	9,326,550
Leasehold land	2,117,443
Plant, machinery and equipment	4,851,376
Office equipment	176,172
Furniture and fittings	35,886
Renovations and installations	1,233,024
	17,740,451

(e) The carrying amount of the property, plant and equipment of the Group under finance lease at the end of the reporting period are as follows:

	Group	
	2016 RM	2015 RM
Motor vehicles	267,253	302,207

Details of the terms and conditions of the finance lease arrangements are disclosed in Note 22 to the financial statements.

8. INVESTMENT PROPERTY

Investment properties under construction, at cost

Group	Freehold land RM	Development costs RM	Total RM
Balance as at 1 January 2016	-	-	-
Transfers from:			
- Property development costs (Note 13)	191,497	1,357,763	1,549,260
Balance as at 31 December 2016	191,497	1,357,763	1,549,260

Investment property is initially measured at cost, the fair value of consideration paid, including related transaction costs and subsequently carried at fair value.

Investment property under construction is measured at fair value if the fair value is considered reliably, but for which the Group expects that the fair value of the property will be reliably determinable when construction is completed, it is measured at cost until either the fair value becomes reliably determinable or construction is completed, whichever is earlier.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Gains or losses arising from changes in the fair values of investment property is recognised in the profit or loss in the year in which they arise.

Investment property is derecognised when either they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property is recognised in profit or loss in the year of retirement or disposal.

9. LAND HELD FOR PROPERTY DEVELOPMENT

Group	Freehold land RM	Development costs RM	Total RM
2016			
At cost			
Balance as at 1 January 2016	53,518,512	1,755,579	55,274,091
Additions	-	1,565,197	1,565,197
Sale during the financial year	(17,018,512)	(900,937)	(17,919,449)
Balance as at 31 December 2016	36,500,000	2,419,839	38,919,839

9. LAND HELD FOR PROPERTY DEVELOPMENT (continued)

Group	Freehold land RM	Development costs RM	Total RM
2015			
At cost			
Balance as at 1 January 2015	-	-	-
Acquisition of subsidiaries	53,518,512	-	53,518,512
Additions	-	1,755,579	1,755,579
Balance as at 31 December 2015	53,518,512	1,755,579	55,274,091

(a) Land held for property development is stated at cost less impairment losses, if any. Such land is classified as non-current asset when no significant development work has been carried out or where development activities are not expected to be completed within the normal operating cycle.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(b) Land held for property development has been pledged as security for borrowings as disclosed in Note 21 to the financial statements.

10. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016 RM	2015 RM
Unquoted shares - at cost	78,475,208	78,475,206
Less: Impairment losses	(1,824,074)	(1,824,074)
	76,651,134	76,651,132

10. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Subsidiaries are all entities, including structured entities, over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Investments in subsidiaries are stated at cost which is measured at the fair value of consideration paid and subsequently carried at cost less accumulated impairment loss.

The Company reviews the investments in subsidiaries for the impairment when there is an indication of impairment at the end of the year.

The recoverable amounts of the investments in subsidiaries are assessed by reference to the fair value less cost to sell of the underlying assets or value-in-use of subsidiaries.

Estimating a value in use requires management to make an estimate of the expected future cash flows to be derived from continuing use of the asset and from its ultimate disposal, expectations about possible variations in the amount, timing of those cash flows, the time value of money, price for inherent uncertainty risk and other relevant factors.

(b) The details of the subsidiaries, which are all incorporated in Malaysia and audited by BDO in Malaysia is as follows:

	Interest in equity held by				
	Company		Subsidiary		
Name of company	**2016 %**	**2015 %**	**2016 %**	**2015 %**	**Principal activities**
Formosa Prosonic Technics Sdn. Bhd. ('FPT')	100	100	-	-	Manufacturing and assembly of speaker units, multi-media speaker systems and moulded plastic parts
Teras Eco Sdn. Bhd. ('TE')	100	100	-	-	Property development
JM Cemerlang Sdn. Bhd. ('JMC')	100	100	-	-	Property development
Teras Eco Resources Sdn. Bhd ('TER')	100	-	-	-	Property development (newly incorporated)
Subsidiary of FPT					
Aerotronic Sdn. Bhd. (Aerotonic)	-	-	100	100	Inactive

(c) During the financial year, the Company acquired two (2) ordinary shares of RM1.00 each, representing 100% of the issued and paid-up capital of Teras Eco Resources Sdn. Bhd. for cash consideration of RM2.00.

10. INVESTMENTS IN SUBSIDIARIES (continued)

(d) In previous financial year, the Group completed the acquisition of the following companies:

(i) On 10 February 2015, FPT, a wholly-owned subsidiary of the Company, acquired 41.81% equity interest in Aerotonic for a cash consideration of RM1,362,922. Upon completion of the acquisition, Aerotonic became a wholly-owned subsidiary of FPT.

(ii) On 15 July 2015, the Company acquired 100% equity interest in Teras Eco Sdn. Bhd. ("TE") for a cash consideration of RM13,500,000 as disclosed in Note 37(a) to the financial statements.

(iii) On 30 October 2015, the Company acquired 100% equity interest in JM Cemerlang Sdn. Bhd. ("JMC") for a cash consideration of RM15,500,000 as disclosed in Note 37(b) to the financial statements.

(e) In previous financial year, the Group completed the disposal of its entire 75% equity interest in FPEQ for a cash consideration of RM5,750,000 as disclosed in Note 38 to the financial statements.

(f) In the previous financial year, the subsidiaries of the Group that have non-controlling interests ('NCI') were as follows:

2015	**Formosa Prosonic Equipment Sdn. Bhd.**
Profit allocated to NCI (RM)	1,151,303

(g) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of the previous reporting period are as follows:

2015	**Formosa Prosonic Equipment Sdn. Bhd.**
Profit for the financial year	4,605,212
Total comprehensive profit	4,605,212
Dividend paid to NCI	(1,950,000)

11. INVESTMENT IN AN ASSOCIATE

	Group		**Company**	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Unquoted shares, at cost	600,000	-	600,000	-
Unrealised profit arising from sale of assets to associate	(474,365)	-	-	-
	125,635	-	600,000	-

(a) Investment in associate is measured using the equity method of accounting and are recognised initially at cost which is measured at the fair value of consideration paid and subsequently carried at cost less accumulated impairment, if any. Investment in an associate are measured at cost in the separate financial statements of the Company.

11. INVESTMENT IN AN ASSOCIATE (continued)

(b) The details of the associate, which is incorporated in Malaysia is as follows:

Name of company	Interest in equity held by a subsidiary 2015 %	2016 %	Principal activities
Harum Eco Dormitory Sdn. Bhd. ("HED")	30	-	Property development, investment, rental and leasing. (newly incorporated)

(c) The summarised financial information of the associate, is as follows:

	Group 2016 RM
Assets and liabilities	
Non-current assets	20,000,000
Current assets	1,544
Current liabilities	(18,001,544)
Net assets	2,000,000

The associate is newly incorporated during the financial year and the financial statement is unaudited.

(d) Reconciliation of the summarised financial information presented above to the carrying amount of the interest in associate of the Group is as follows:

	Group 2016 RM
Share of net assets of the Group	600,000
Elimination of unrealised profits	(474,365)
Carrying amount in the statement of financial position	125,635

12. GOODWILL

	Group 2016 RM	2015 RM
Balance as at 1 January 2016	23,469,424	-
Acquisition of subsidiaries	-	23,469,424
Balance as at 31 December 2016	23,469,424	23,469,424

12. GOODWILL (continued)

(a) Goodwill arose from the acquisition of property development subsidiaries.

(b) The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the subsidiaries to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the subsidiaries and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) For the purpose of impairment testing, goodwill is allocated to the property development division of the Group which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of the CGU has been determined based on value-in-use calculations, which exceeded its carrying amount and hence, no impairment is required.

Value-in-use was determined by discounting the future cash flows generated from the continuing use of the CGU and was based on the following assumptions:

(i) Pre-tax cash flow projections based on the management's most recent three (3) years (2015:four (4)) business plan.

(ii) Pre-tax discount rate of 5% (2015:5.6%) was applied in determining the recoverable amount of the CGU. The discount rate was estimated based on the weighted average cost of capital of the Group.

The management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the unit to materially exceeded its recoverable amount.

13. PROPERTY DEVELOPMENT COSTS

	Freehold land, at cost RM	Development costs RM	Total RM
Group			
2016			
Cumulative property development costs			
Balance as at 1 January 2016	16,222,508	35,461,630	51,684,138
Incurred during the financial year	-	8,182,812	8,182,812
Transfer to investment property under construction (Note 8)	(191,497)	(1,357,763)	(1,549,260)
Balance as at 31 December 2016	16,031,011	42,286,679	58,317,690
Cumulative cost recognised in the statement of profit or loss and other comprehensive income			
Balance as at 1 January 2016	(6,680,277)	(13,592,535)	(20,272,812)
Recognised during the financial year	(3,453,855)	(25,786,065)	(29,239,920)
Balance as at 31 December 2016	(10,134,132)	(39,378,600)	(49,512,732)
Property development costs as at 31 December 2016	5,896,879	2,908,079	8,804,958

13. PROPERTY DEVELOPMENT COSTS (continued)

	Freehold land, at cost RM	Development costs RM	Total RM
Group			
2015			
Cumulative property development costs			
Balance as at 1 January 2015	-	-	-
Acquisition of subsidiaries	16,222,508	18,119,184	34,341,692
Incurred during the financial year	-	17,342,446	17,342,446
Balance as at 31 December 2015	16,222,508	35,461,630	51,684,138
Cumulative cost recognised in the statement of profit or loss and other comprehensive income			
Balance as at 1 January 2015	-	-	-
Recognised during the financial year	(6,680,277)	(13,592,535)	(20,272,812)
Balance as at 31 December 2015	(6,680,277)	(13,592,535)	(20,272,812)
Property development costs as at 31 December 2015	9,542,231	21,869,095	31,411,326

(a) The property development costs comprise all costs that are directly attributable to the development activities or that can be allocated on a reasonable basis to such activities. They comprise the cost of land under development, construction costs and other related development costs common to the whole project including professional fees, stamp duties, commissions, conversion fees and other relevant levies as well as borrowing costs.

Property development costs not recognised as an expense are recognised as an asset measured at the lower of cost and net realisable value.

When revenue recognised in profit or loss exceeds progress billings to purchasers, the balance is classified as accrued billings under current assets. When progress billings exceed revenue recognised in profit or loss, the balance is classified as progress billings under current liabilities.

13. PROPERTY DEVELOPMENT COSTS (continued)

(b) Included in the property development costs are the following charges incurred during the financial year:

	Group	
	2016	**2015**
	RM	**RM**
Interest expense	661,404	854,282

Interest is capitalised in property development cost at a rate of 6.13% (2015: 6.21%) per annum.

(c) Freehold land under development has been charged to financial institutions for credit facilities granted to a subsidiary of the Company, Teras Eco Sdn. Bhd. as disclosed in Note 21 to the financial statements.

14. INVENTORIES

	Group	
	2016	**2015**
	RM	**RM**
At cost		
Raw materials	2,041,597	5,320,701
Work-in-progress	256,031	305,215
Finished goods	673,654	2,225,647
	2,971,282	7,851,563
At net realisable value		
Finished goods	51,502	51,502
	3,022,784	7,903,065

(a) Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out formula. The cost of raw materials comprises all cost of purchase plus the cost of bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(b) During the financial year, inventories of the Group recognised as cost of sales amounted to RM38,678,922 (2015: RM64,064,876).

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade receivables				
Third parties	36,447,011	6,466,506	-	-
Related parties	-	14,660,553	-	-
	36,447,011	21,127,059	-	-
Accrued billings in respect of property development	29,733,746	9,076,457	-	-
Other receivables				
Subsidiaries	-	-	43,993,095	29,941,000
Related party	-	91,465	-	-
Deposits	447,364	306,662	2,000	-
Other receivables	618,743	743,139	5,332	-
	1,066,107	1,141,266	44,000,427	29,941,000
Loans and receivables	67,246,864	31,344,782	44,000,427	29,941,000
Prepayments	279,410	395,446	29	-
	67,526,274	31,740,228	44,000,456	29,941,000

(a) Trade and other receivables are classified as loans and receivables, and measured at amortised cost using the effective interest method.

(b) Trade receivables, including amounts owing by related parties, are non-interest bearing and the normal trade credit terms granted by the Group range from 14 to 90 days (2015: 14 to 120 days) from the date of invoice. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

(c) Non-trade balances owing by subsidiaries and related party represent advances and payments made on behalf, which are unsecured, payable upon demand in cash and cash equivalents. Non-trade balances owing by subsidiaries carry interest of 3% (2015: Nil) per annum.

(d) The currency exposure profile of trade and other receivables (excluding prepayments) is as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	64,230,536	15,355,276	44,000,427	29,941,000
US Dollar	3,016,328	15,989,506	-	-
	67,246,864	31,344,782	44,000,427	29,941,000

15. TRADE AND OTHER RECEIVABLES (continued)

(e) The ageing analysis of trade receivables of the Group are as follows:

	Group	
	2016	**2015**
	RM	**RM**
Neither past due nor impaired	29,397,682	16,547,394
Past due, not impaired		
1 to 30 days	1,300,306	1,888,906
31 to 60 days	276,047	407,658
61 to 90 days	180,544	1,843,614
More than 90 days	5,292,432	439,487
	7,049,329	4,579,665
	36,447,011	21,127,059

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired mainly arose from active corporate clients with healthy business relationship, in which the management is of the view that the amounts are recoverable based on past payments history, as well as receivables related to progress billings to be settled by end-buyers' financiers.

The trade receivables of the Group that are past due but not impaired are unsecured in nature.

(f) At the end of each reporting period, there was a significant concentration of credit risk in respect of amount owing by a customer which is 11% (2015: 19%) of the total loans and receivables of the Group.

(g) Sensitivity analysis of RM against US Dollar at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Effects of 3% changes to RM against US Dollar				
Profit after tax	69,659	359,932	-	-

16. SHORT TERM FUNDS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Financial assets at fair value through profit or loss				
Fixed income trust funds in Malaysia	14,798,413	30,058,203	8,286	-

(a) Short term funds are classified as fair value through profit or loss and measured at fair value, which is under Level 2 of fair value hierarchy. The fair value of short term funds in Malaysia is determined by reference to counter parties' quotes at the close of the business at the end of the reporting period.

(b) Short term funds are mainly designated to manage free cash flows and optimise working capital so as to provide a steady stream of income returns. It is an integral part of the overall cash management.

(c) Short term funds of the Group and of the Company represent investments in highly liquid money market, which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value, hence, meet the definition to be classified as cash and cash equivalents.

(d) The currency exposure profile of short term funds is as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	14,780,328	11,147,435	8,286	-
US Dollar	18,085	18,910,768	-	-
	14,798,413	30,058,203	8,286	-

(e) Sensitivity analysis of RM against US Dollar at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Effects of 3% changes to RM against US Dollar				
Profit after tax	412	425,691	-	-

17. CASH AND BANK BALANCES

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Cash and bank balances	7,027,189	2,358,351	1,936,781	156,613
Deposits with licensed banks	5,600,000	3,310,000	2,000,000	330,000
	12,627,189	5,668,351	3,936,781	486,613

(a) Deposits with licensed banks are subject to fixed weighted average effective interest rates of 2.73% (2015: 3.04 %).

(b) Sensitivity analysis of interest rate at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Effects of 50bp changes to profit after tax				
Fixed rate instruments	21,280	12,413	7,600	1,238

(c) The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Ringgit Malaysia	10,692,509	4,496,489	3,936,781	486,613
US Dollar	1,817,896	1,171,862	-	-
Chinese Renminbi	116,784	-	-	-
	12,627,189	5,668,351	3,936,781	486,613

(d) Sensitivity analysis of RM against foreign currencies at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Effects of 3% changes to RM against foreign currencies				
Profit after tax	44,125	26,379	-	-

17. CASH AND BANK BALANCES (continued)

(e) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash and bank balances	7,027,189	2,358,351	1,936,781	156,613
Deposits with licensed banks (not more than three months)	5,600,000	3,310,000	2,000,000	330,000
Short term funds (Note 16)	14,798,413	30,058,203	8,286	-
	27,425,602	35,726,554	3,945,067	486,613

18. SHARE CAPITAL

	Group and Company			
	2016		2015	
	Number			Number
	of shares	RM	of shares	RM
Ordinary shares of RM0.50 each:				
Authorised	400,000,000	200,000,000	400,000,000	200,000,000
Issued and fully paid	177,821,400	88,910,700	177,821,400	88,910,700

The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

19. TREASURY SHARES

The shareholders of the Company, by way of a resolution passed at the Annual General Meeting held on 1 June 2016 renewed the authority given to the Directors to repurchase up to 10% of the issued and paid-up ordinary share capital of the Company ("Share Buy-Back"). The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 925,600 (2015: 452,700) ordinary shares of RM0.50 each of its issued shares from the open market. The average price paid for the ordinary shares repurchased was approximately RM0.66 (2015: RM0.66) per ordinary share. The repurchase transactions were financed by internally generated funds. The ordinary shares repurchased are held as treasury shares and treated in accordance with the requirement of Section 67A of the Companies Act, 1965.

The Company has the right to cancel, resell and/or distribute these shares as dividends at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution is suspended. None of the treasury shares repurchased have been sold as at 31 December 2016.

As at 31 December 2016, the Company held 10,683,000 (2015: 9,757,400) treasury shares at a total cost of RM8,231,980 (2015: RM7,620,718).

20. RESERVES

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Non-distributable:				
Share premium	7,342,201	7,342,201	7,342,201	7,342,201
Distributable:				
Retained earnings	25,627,406	29,298,558	26,527,591	17,005,499
	32,969,607	36,640,759	33,869,792	24,347,700

21. TERM LOANS

	Group 2016 RM	Group 2015 RM
Term loan I repayable by 24 equal monthly instalments of RM496,000 each commencing 14 July 2013	-	671,434
Term loan II repayable by 84 equal monthly instalments of RM62,545 each commencing 10 January 2014	-	3,229,667
Term loan III repayable by 84 equal monthly instalments of RM78,963 each commencing 14 March 2014	-	4,150,854
Term loan IV repayable by 84 equal monthly instalments of RM91,472 each commencing 14 March 2014	-	4,874,163
Term loan V repayable by 60 equal monthly instalments of RM168,712 each commencing 14 July 2014	7,784,032	8,500,000
Term loan VI repayable by 24 equal monthly instalments of RM180,000 each commencing 1 December 2014	2,030,006	4,300,000
Term loan VII repayable by 24 equal monthly instalments of RM317,000 each commencing 11 February 2015	7,600,000	7,600,000
Term loan VIII repayable by 24 equal monthly instalments of RM664,413 each commencing 9 December 2018	10,803,304	-
	28,217,342	33,326,118

21. TERM LOANS (continued)

	Group 2016 RM	Group 2015 RM
Repayable as follows:-		
Current liabilities:		
- not later than one (1) year	6,792,724	8,053,320
Non-current liabilities:-		
- later than one (1) year but not later than five (5) years	21,424,618	25,272,798
	28,217,342	33,326,118

(a) Terms loans are classified as other financial liabilities, and measured at amortised cost using the effective interest method.

(b) Term loans of the Group are secured by the following:

(i) Legal charges over land held for property development and property development costs of the Group as disclosed in Note 9 and Note 13 to the financial statements; and
(ii) Jointly and severally guaranteed by all Directors of JM Cemerlang Sdn. Bhd. and Teras Eco Sdn. Bhd., which are subsidiaries of the Group.

(c) Term loans are denominated in RM.

(d) The term loans are subject to weighted average effective interest rate of 6.78% (2015: 7.29%).

(e) The table below summarises the maturity profile of the term loans of the Group at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
As at 31 December 2016				
Term loans	8,744,983	28,762,443	-	37,507,426
As at 31 December 2015				
Term loans	10,485,363	26,446,330	3,798,081	40,729,774

(f) Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rate had been 50 basis points higher or lower, with all the variable held constant, the profit after tax of the Group for the financial year would have been approximately RM107,226 (2015: RM124,973) higher or lower. The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

22. HIRE-PURCHASE CREDITORS

	Group 2016 RM	Group 2015 RM
Minimum hire-purchase payments:-		
- not later than one (1) year	48,132	48,132
- later than one (1) year but not later than five (5) years	167,169	192,528
- later than five (5) years	53,064	75,837
Total minimum hire-purchase payments	268,365	316,497
Less:- Future interest charges	(34,458)	(46,622)
Present value of hire-purchase liabilities	233,907	269,875
Repayable as follows:-		
Current liabilities:		
- not later than one (1) year	37,950	35,967
Non-current liabilities:		
- later than one (1) year but not later than five (5) years	145,840	163,698
- later than five (5) years	50,117	70,210
	195,957	233,908
	233,907	269,875

(a) Hire-purchase creditors are classified as other financial liabilities, and measured at amortised cost using the effective interest method.

(b) Hire-purchase creditors are denominated in RM.

(c) Hire-purchase creditors are subject to weighted average effective interest rate of 4.51% (2015: 4.66%).

(d) The table below summarises the maturity profile of the hire-purchase creditors of the Group at the end of the reporting period based on contractual undiscounted repayment obligations.

As at 31 December 2016	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Hire-purchase creditors	48,132	167,169	53,064	268,365
As at 31 December 2015				
Hire-purchase creditors	48,132	192,528	75,837	316,497

22. HIRE-PURCHASE CREDITORS (continued)

(e) Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rate had been 50 basis points higher or lower, with all the variable held constant, the profit after tax of the Group for the financial year would have been approximately RM889 (2015: RM1,012) higher or lower. The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

23. DEFERRED TAX

(a) The deferred tax assets and liabilities are made up of the following:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Balance as at 1 January	495,051	1,630,000	-	-
Recognised in profit or loss (Note 31)	(369,497)	(1,134,949)	300,503	-
Balance as at 31 December	125,554	495,051	300,503	-
Presented after appropriate offsetting:				
Deferred tax assets, net	(743,000)	(140,000)	-	-
Deferred tax liabilities, net	868,554	635,051	300,503	-
	125,554	495,051	300,503	-

(b) Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that future taxable profits would be available against which the losses and capital allowances could be utilised.

(c) The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group

	Unused tax losses RM	Other temporary differences RM	Total RM
At 1 January 2016	-	140,000	140,000
Recognised in profit or loss	654,000	(51,000)	603,000
At 31 December 2016	654,000	89,000	743,000
At 1 January 2015	-	162,000	162,000
Recognised in profit or loss	-	(22,000)	(22,000)
At 31 December 2015	-	140,000	140,000

23. DEFERRED TAX (continued)

Deferred tax liabilities of the Group

	Property, plant and equipment RM	Other temporary differences RM	Total RM
At 1 January 2016	445,051	190,000	635,051
Recognised in profit or loss	(246,000)	479,503	233,503
At 31 December 2016	199,051	669,503	868,554
At 1 January 2015	1,573,000	219,000	1,792,000
Recognised in profit or loss	(1,127,949)	(29,000)	(1,156,949)
At 31 December 2015	445,051	190,000	635,051

Deferred tax liabilities of the Company

	Property, plant and equipment RM	Other temporary differences RM	Total RM
At 1 January 2016	-	-	-
Recognised in profit or loss	-	300,503	300,503
At 31 December 2016	-	300,503	300,503

(d) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group	
	2016 RM	2015 RM
Unused tax losses	497,466	484,174
Unabsorbed capital allowances	142,326	142,326
Other temporary differences	213	-
	640,005	626,500

Deferred tax assets of the Group have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries will be available against which the deductible temporary differences can be utilised.

The temporary differences do not expire under the current tax legislation.

24. TRADE AND OTHER PAYABLES

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Trade payables				
Third parties	5,764,216	27,540,961	-	-
Related parties	-	765,970	-	-
	5,764,216	28,306,931	-	-
Other payables				
Subsidiary	-	-	10,000,000	1,000,000
Related parties	-	-	-	1,020
Other payables	18,901,760	12,903,964	13,049	38,362
Accruals	5,014,978	4,771,706	655,370	394,367
	23,916,738	17,675,670	10,668,419	1,433,749
	29,680,954	45,982,601	10,668,419	1,433,749

(a) Trade and other payables are classified as other financial liabilities, and measured at amortised cost using the effective interest method.

(b) Trade payables, including amounts owing to related parties, are non-interest bearing and the normal trade credit terms granted range from 30 to 90 days (2015: 30 to 90 days) from the date of invoice.

(c) Included in other payables of the Group is amount owing to a Director of RM13,563,068 (2015: RM9,081,904) arising from the purchases of land held for property development which is unsecured, interest-free and payable upon demand in cash and cash equivalents.

(d) Non-trade balances owing to a subsidiary and related parties represent payments made on behalf, which are unsecured, interest-free and payable upon demand in cash and cash equivalents. Non-trade balances owing by subsidiaries to the Company and among subsidiaries carry interest of 3% (2015: Nil) per annum.

(e) The currency exposure profile of payables is as follows:

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Ringgit Malaysia	26,962,401	36,048,350	10,668,419	1,433,749
US Dollar	1,968,804	9,897,720	-	-
Chinese Renminbi	749,749	18,632	-	-
New Taiwan Dollar	-	13,196	-	-
Thai Baht	-	4,703	-	-
	29,680,954	45,982,601	10,668,419	1,433,749

24. TRADE AND OTHER PAYABLES (continued)

(f) Sensitivity analysis of RM against foreign currencies at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Effects of 3% changes to RM against foreign currencies				
Profit after tax	67,810	227,066	-	-

(g) The maturity profile of trade and other payables of the Group and of the Company at the end of reporting period based on contractual undiscounted repayment obligations is repayable on demand or within one year.

25. DERIVATIVE FINANCIAL INSTRUMENTS

	2016		2015	
	Notional amounts RM	Liabilities RM	Notional amounts RM	Assets RM
Group				
Forward currency contracts	12,787,000	(766,621)	4,320,000	9,938

(a) Derivative financial instruments are classified as fair value through profit or loss and measured at fair value, which is under Level 2 of fair value hierarchy.

(b) Forward currency contracts have been entered into to operationally hedge forecast sales and purchases denominated in foreign currencies that are expected to occur at various dates within twelve (12) months from the end of the reporting period. The forward currency contracts have maturity dates that coincide with the expected occurrence of these transactions. The fair values of these components have been determined based on the differences between the forward future rates and the strike rates discounted at the convenience yield of the instruments involved.

(c) During the financial year, the Group recognised total loss of RM776,559 (2015: gain of RM62,169) arising from fair value changes of derivatives. The fair value changes are attributable to changes in foreign exchange spot rates and forward foreign exchange rates.

26. COMMITMENTS

(a) Capital commitments

	Group	
	2016 RM	2015 RM
Authorised capital expenditure not provided for in the financial statements		
Contracted		
- Purchase of property, plant and equipment	-	547,724

(b) Operating lease commitments

The Group and the Company had entered into non-cancellable lease agreements for rental of premises, resulting in future rental commitments which can, subject to certain terms in the agreements, be revised annually based on prevailing market rates.

The Group and the Company has aggregate future minimum lease commitment as at the end of each reporting year as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Not later than one (1) year	943,614	5,100	81,600	-
Later than one (1) year and not later than five (5) years	1,456,135	-	27,200	-
	2,399,749	5,100	108,800	-

27. REVENUE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Sale of goods	54,174,287	88,030,983	-	-
Property development revenue	40,035,943	20,374,398	-	-
Sale of land held for property development	20,000,000	-	-	-
Dividend income from subsidiaries	-	-	15,318,000	5,850,000
	114,210,230	108,405,381	15,318,000	5,850,000

(a) Sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Group does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and services and acceptance by customers.

27. REVENUE (continued)

(b) Property development

Property development revenue is recognised in respect of all development units that have been sold. Revenue recognition commences when the sale of the development unit is effected upon the commencement of development and construction activities and when the financial outcome can be reliably estimated. The attributable portion of property development cost is recognised as an expense in the period in which the related revenue is recognised. The amount of such revenue and expenses recognised is determined by reference to the stage of completion of development activity at the end of each reporting period. The stage of completion is measured by reference to the proportion that property development costs incurred for work performed to date bear to the estimated total property development cost.

When the financial outcome of a development activity cannot be reliably estimated, the property development revenue is recognised only to the extent of property development costs incurred that is probable to be recoverable and the property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project is recognised as an expense immediately, including costs to be incurred over the defects liability period.

(c) Sale of land held for property

Sale of land held for property is recognised when the Group satisfies a performance obligation by transferring a promised asset to a customer. An asset is transferred when the customer obtains control of that asset.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

28. COST OF SALES

	Group	
	2016	**2015**
	RM	**RM**
Inventories sold	53,906,426	74,093,157
Property development activities	29,239,920	20,272,812
Development land sold	19,434,090	-
	102,580,436	94,365,969

29. FINANCE COSTS

	Group	
	2016	**2015**
	RM	**RM**
Bank charges	8,439	7,771
Interest expense on:		
- hire purchase creditors	12,165	6,711
- loan	83,720	-
- bank overdraft	40	11
Commitment fee	3,820	4,999
Bank guarantee commission	2,969	6,536
	111,153	26,028

30. PROFIT BEFORE TAX

Other than those disclosed elsewhere in the financial statements, the following amounts have been included in arriving at profit before tax:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before tax is arrived at after charging:				
Auditors' remuneration:				
- current year	95,600	69,000	28,600	25,000
- under provision in prior years	9,500	2,000	3,000	-
Directors' remuneration:				
- Directors of the Company:				
- fees	200,000	263,334	200,000	263,334
- other emoluments	1,592,250	1,637,212	930,419	106,033
Fair value adjustment on short term funds	3,781	-	3,781	-
Realised loss on foreign exchange	-	37,000	-	-
Rental of premises	303,870	32,033	54,400	-
Rental of equipment	4,517	2,779	-	-
Rental of hostel	9,600	33,300	-	-
Research and development costs	181,231	201,706	-	-
Unrealised loss on foreign exchange	257,980	559,272	-	-
And after crediting:				
Gain on disposal of property, plant and equipment	553,241	2,309,550	-	-
Interest income	49,334	148,160	26,254	52,105
Interest income received from advances to related companies	-	-	1,252,095	-
Income distribution from short term funds	358,228	1,337,942	8,695	548,659
Realised gain on foreign exchange	292,612	4,437,257	-	-
Rental income	-	305,000	-	-
Unrealised gain on foreign exchange	187,603	117,290	-	-

In previous year, the estimated monetary value of benefits-in-kind other than in cash received or receivable by the Directors from the Company and the Group amounted to RM28,190 and RM28,190 respectively.

31. TAXATION

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Continuing operations				
Current tax expense				
- Based on profit for the financial year	2,684,591	2,536,820	5,640	12,000
- Under/(Over) provision in prior years	241,742	60,845	649	(4,000)
	2,926,333	2,597,665	6,289	8,000
Deferred tax (Note 23)				
- Relating to origination and reversal of temporary differences	(1,382,497)	(124,949)	300,503	-
- Under/(Over) provision in prior years	1,013,000	(1,010,000)	-	-
	(369,497)	(1,134,949)	300,503	-
Total taxation from continuing operations	2,556,836	1,462,716	306,792	8,000

	Group 2016 RM	Group 2015 RM
Discontinued operations		
Current tax expense		
- Based on profit for the financial year	-	50,000
- Over provision in prior year	-	-
Total taxation from discontinuing operations (Note 32)	-	50,000

(a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated taxable profits for the fiscal year.

(b) Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

31. TAXATION (continued)

(c) The reconciliation between the effective tax rate and the applicable tax rate of the Group and of the Company is as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Applicable tax rate	24.0	25.0	24.0	25.0
Tax effects in respect of:				
Non-allowable expenses	60.6	5.9	4.4	50.7
Tax exempt dividend income	-	-	(26.2)	(68.6)
Deferred tax assets not recognised	0.1	-	-	-
Non-taxable income	(42.2)	(8.2)	-	(6.5)
	42.5	22.7	2.2	0.6
Under/(Over) provision in prior years				
- current tax	7.9	0.6	-	(0.2)
- deferred tax	33.0	(9.5)	-	-
Effective tax rate	83.4	13.8	2.2	0.4

32. DISCONTINUED OPERATIONS

2015

(a) A subsidiary of the Company, FPEQ entered into a CMAPA and a SPA to dispose of its entire manufacturing assets and leasehold land and factory building to Angel Water System Technology Sdn. Bhd. (formerly known as Grand Offshore Sdn. Bhd.), a company incorporated in Malaysia for considerations of RM1,560,000 and RM8,000,000 respectively. The disposal of manufacturing assets vide the CMAPA was completed on 15 October 2014 and the disposal of leasehold land and factory building was completed in 2015. The leasehold land and factory building were reclassified as non-current assets held for sale as the end of 2014. FPEQ ceased its business operations upon the completion of the disposal of its entire manufacturing assets. On 13 November 2015, the Company disposed of its entire equity interest in FPEQ for a cash consideration of RM5,750,000. The effects of the disposal are set out in Note 38 to the financial statements.

(b) Both operations were reported as part of the chemicals and electrical equipment divisions. An analysis of the results of the discontinued operations are as follows

	Group	
	2016 RM	2015 RM
Share of loss of a joint venture, net of tax	-	(3,154)
Other income	-	3,116,624
Expenses	-	(50,524)
Profit before tax	-	3,062,946
Taxation (Note 31)	-	(50,000)
Profit for the financial year	-	3,012,946

32. DISCONTINUED OPERATIONS (continued)

(c) The following amounts have been included in arriving at profit before tax of the discontinued operations:

	Group 2016 RM	Group 2015 RM
Profit before tax is arrived at after charging:		
Auditors' remuneration	-	2,000
And after crediting :		
Bad debts recovered	-	(128,980)
Gain on disposal of property, plant and equipment	-	(2,334,830)
Interest income	-	(185,462)
Income distribution from short term funds	-	(161,168)
Realised gain on foreign exchange	-	(236,100)

(d) The cash flows attributable to the discontinued operations are as follows:

	Group 2016 RM	Group 2015 RM
Inflow/(outflow)		
Operating activities	-	166,389
Investing activities	-	2,884,724
Financing activities	-	(7,800,000)
	-	(4,748,887)

33. DIVIDEND

	Group and Company 2016 Dividend per ordinary share sen	2016 Amount of dividend RM	2015 Dividend per ordinary share sen	2015 Amount of dividend RM
First and final single tier dividend in respect of financial year ended 31 December 2015	2.5	4,178,460	-	-

34. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding (adjusted for treasury shares) during the financial year.

	Group	
	2016	**2015**
Profit from continuing operations attributable to equity holders of the parent (RM)	507,308	9,153,045
Profit from discontinued operations attributable to equity holders of the parent (RM)	-	1,861,643
Profit attributable to equity holders of the parent (RM)	507,308	11,014,688
Weighted average number of ordinary shares outstanding (adjusted for treasury shares)	167,176,650	168,476,028
Basic earnings per ordinary share for:		
Profit from continuing operations (sen)	0.30	5.43
Profit from discontinued operations (sen)	-	1.11
Basic earnings per ordinary share (sen)	0.30	6.54

(b) Diluted earnings per ordinary share

Diluted earnings per ordinary share equals basic earnings per ordinary share as there were no potential dilutive ordinary shares.

35. EMPLOYEE BENEFITS

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Salaries, wages and bonuses	12,315,057	15,634,830	1,440,582	126,033
Defined contribution plan	788,687	987,880	187,871	-
Other employee benefits	460,421	554,590	5,712	-
	13,564,165	17,177,300	1,634,165	126,033

Included in the employee benefits of the Group and of the Company are Directors' remuneration amounting to RM1,592,250 (2015: RM1,637,212) and RM930,419 (2015: RM106,033) respectively.

36. TRANSACTION WITH NON-CONTROLLING INTERESTS

2015

In the previous financial year, Formosa Prosonic Technics Sdn. Bhd. ("FPT"), a wholly owned subsidiary of the Company, acquired 1,107,965 ordinary shares of RM1.00 each not owned by FPT, which represented 41.81% of the issued and paid-up share capital in Aerotronic Sdn. Bhd. ("Aerotonic") for a cash consideration of RM1,362,922. Upon completion of the acquisition, Aerotonic became a wholly-owned subsidiary of FPT.

Details of net assets acquired are as follows:

	2015 **RM**
Carrying amounts of identifiable assets and liabilities of Aerotonic as at the date of acquisition	3,365,420
Less: Carrying amounts of 58.19% equity interest held previously as subsidiary	(1,958,336)
Carrying amounts of 41.81% equity interest held previously as non-controlling interests	1,407,084
Excess of interest in the carrying amounts of the identifiable assets and liabilities, over cost arising from additional interest acquired	(44,162)
Purchase consideration settled in cash	1,362,922

37. ACQUISITION OF SUBSIDIARIES

2015

(a) Acquisition of Teras Eco Sdn. Bhd.

In the previous financial year, the Company has acquired 100% of the issued and paid-up ordinary share capital of Teras Eco Sdn. Bhd. ('TE'), a company incorporated in Malaysia which is engaged in property development, for a cash consideration of RM13,500,000 and stamp duty payable amounted to RM42,855.

The Group acquired TE on the basis that industrial property development was seen as a viable business to strengthen the Group's earnings base in the short term. In the long term, the acquisition of TE was seen as adding the Group's business capability and helping to create an alternative income stream.

37. ACQUISITION OF SUBSIDIARIES

2015

(a) Acquisition of Teras Eco Sdn. Bhd. (continued)

(i) The fair value of identifiable assets and liabilities of TE as at the date of acquisition are as follows:

	RM
Property, plant and equipment (Note 7)	547,223
Land held for property development	17,018,512
Property development costs	34,341,692
Trade and other receivables	5,116,706
Cash and bank balances	715,138
Total identifiable assets	57,739,271
Borrowings	(22,200,190)
Trade and other payables	(33,537,202)
Total identifiable net assets	2,001,879
Goodwill arising from acquisition	11,540,976
Total purchase consideration	13,542,855

(ii) The considerations for the acquisition of TE are as follows:

	RM
Cash consideration	13,500,000
Stamp duty	42,855
Total cash considerations paid	13,542,855

(iii) The effects of the acquisition of TE on cash flows of the Group are as follows:

	RM
Total consideration settled in cash	13,542,855
Less: Cash and cash equivalents of subsidiary acquired	(715,138)
Net cash outflow on acquisition	12,827,717

37. ACQUISITION OF SUBSIDIARIES (continued)

2015

(b) Acquisition of JM Cemerlang Sdn. Bhd.

In the previous financial year, the Company has acquired 100% of the issued and paid-up ordinary share capital of JM Cemerlang Sdn. Bhd. ('JMC'), a company incorporated in Malaysia which is engaged in property development, for a cash consideration of RM15,500,000.

The Group acquired JMC in order to strengthen its property development arm by investing into the acquisition of further industrial related land so as to ensure a steady stream of development work to be undertaken by its property development division.

(i) The fair value of identifiable assets and liabilities of JMC as at the date of acquisition are as follows:

	RM
Land held for property development	36,500,000
Other receivables	1,319,788
Cash and bank balances	20,397
Total identifiable assets	37,840,185
Borrowings	(12,546,807)
Other payables	(21,721,826)
Total identifiable net assets	3,571,552
Goodwill arising from acquisition	11,928,448
Total purchase consideration	15,500,000

(ii) The considerations for the acquisition of JMC are as follows:

	RM
Total cash considerations paid	15,500,000

(iii) The effects of the acquisition of JMC on cash flows of the Group are as follows:

	RM
Total consideration settled in cash	15,500,000
Less: Cash and cash equivalents of subsidiary acquired	(20,397)
Net cash outflow on acquisition	15,479,603

38. DISPOSAL OF A SUBSIDIARY

In the previous financial year, the Company disposed of its entire equity interest in a subsidiary, Formosa Prosonic Equipment Sdn. Bhd. ('FPEQ'), a company incorporated in Malaysia, which was engaged in the manufacturing of electrical equipment for a cash consideration of RM5,750,000, which is a discontinued operations as disclosed in Note 32 to the financial statements.

(i) The carrying amounts of the identifiable assets and liabilities of FPEQ as at the date of disposal are as follows:

	2015 **RM**
Other receivables	125,523
Cash and bank balances	7,902,080
Total identifiable assets	8,027,603
Other payables	(6,000)
Current tax liabilities	(50,000)
Total identifiable liabilities	(56,000)
Total identifiable net assets	7,971,603

(ii) The consideration for the disposal of FPEQ is as follows:

	RM
Total consideration in cash	5,750,000

(iii) The effects of the disposal of FPEQ on cash flows are as follows:

	RM
Total consideration for the subsidiary disposed of, in cash	5,750,000
Less: Net of cash and cash equivalents disposed of	(7,902,080)
Net cash outflow on disposal	(2,152,080)

38. DISPOSAL OF A SUBSIDIARY (continued)

(iv) The loss on disposal of the subsidiary at the end of the previous financial year is as follows:

	Group RM	Company RM
Cost of investment	-	8,893,668
Total identifiable assets	8,027,603	-
Total identifiable liabilities	(56,000)	-
Total identifiable net assets/Carrying amount	7,971,603	8,893,668
Less: Non-controlling interest	(1,992,303)	-
	5,979,300	8,893,668
Net proceeds from disposal	5,750,000	5,750,000
Loss on disposal	(229,300)	(3,143,668)

39. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other parties.

The Company has controlling related party relationship with its direct and indirect subsidiaries.

Related parties of the Group include:

(i) Direct and indirect subsidiaries as disclosed in Note 10 to the financial statements;

(ii) Associate as disclosed in Note 11 to the financial statements;

(iii) Companies in which certain Directors have financial interests;

(iv) Formosa Prosonic Manufacturing Sdn. Bhd. (ceased to be a corporate shareholders on 29 January 2016); and

(v) Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

39. RELATED PARTY DISCLOSURES (continued)

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with the related parties during the financial year:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Related parties:				
Purchase of products	649,443	14,064,512	-	-
Rental income received	-	305,000	-	-
Rental paid	54,400	-	54,400	-
Sale of products	3,097,375	44,633,588	-	-
Services rendered	-	154,800	-	154,800
Subsidiaries:				
Gross dividends received	-	-	15,318,000	5,850,000

(i) The related party transactions described above were carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

(ii) Balances of the above related parties are disclosed in Notes 15 and 24 to the financial statements.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and the Company.

The remuneration of Directors and other key management personnel during the financial year was as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Short term employee benefits	1,445,639	1,117,712	835,639	106,033
Long term employee benefits	-	500,000	-	-
Contribution to defined contribution plan	146,611	19,500	94,780	-
	1,592,250	1,637,212	930,419	106,033

40. CAPITAL MANAGEMENT

The objective of the capital management of the Group is to ensure that it maintains healthy ratios in order to support its business operations and to provide fair returns for shareholders and benefits for other stakeholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may, from time to time, adjust the dividend payout to shareholders or issue new share, where necessary. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2016 and financial year ended 31 December 2015.

The Group regards net debt to include all loans and borrowings, if any, less cash and bank balances (including deposits with licensed banks) and short term funds and capital to include all equities attributable to owners of the parent, details of which are as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Short term funds	14,798,413	30,058,203	8,286	-
Cash and bank balances	12,627,189	5,668,351	3,936,781	486,613
	27,425,602	35,726,554	3,945,067	486,613
Less:				
Borrowings	(28,451,249)	(33,595,993)	-	-
Net debts/(cash)	(1,025,647)	2,130,561	3,945,067	486,613
Equity attributable to owners of the parent	113,648,327	117,930,741	114,548,512	105,637,682

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40,000,000. The Group has complied with this requirement for the financial year ended 31 December 2016.

The Group is not subject to any other externally imposed capital requirements.

41. COMPANIES ACT 2016

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act, 1965 and was passed by the Parliament on 4 April 2016. The New Act was subsequently gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism has announced that the effective date of the New Act, except for Section 241 and Division 8 of Part III of the New Act, to be 31 January 2017.

Amongst the key changes introduced in the New Act, which will affect the financial statements of the Group and of the Company would include the removal of the authorised share capital, replacement of no par value shares in place of par or nominal value shares, and the treatment of share premium and capital redemption reserves.

The adoption of the New Act does not have any financial impact on the Group and the Company for the financial year ended 31 December 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on disclosures to the annual report and financial statements of the Group and of the Company for the financial year ending 31 December 2017.

42. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained earnings as at the end of the reporting period may be analysed as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained earnings of Acoustech Berhad and its subsidiaries:				
- Realised	41,260,547	42,922,593	26,527,591	17,005,499
- Unrealised	(880,987)	(874,864)	-	-
	40,379,560	42,047,729	26,527,591	17,005,499
Less: Consolidation adjustments	(14,752,154)	(12,749,171)	-	-
Total Group/Company retained earnings as per Consolidated/ Company financial statements	25,627,406	29,298,558	26,527,591	17,005,499

Analysis of Shareholdings

as at 31 March 2017

Issued & Fully Paid-Up : RM88,910,700 (177,821,400 ordinary shares)
Class of Shares : Ordinary Shares of RM0.50
Voting Rights : One vote per ordinary share

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF SHARES	%
1 - 99	54	1.598	2,351	0.001
100 - 1,000	290	8.582	233,682	0.139
1,001 - 10,000	2,074	61.379	10,297,067	6.160
10,001 - 100,000	810	23.971	26,340,829	15.759
100,001 - 8,356,919 (*)	150	4.439	104,493,375	62.519
8,356,920 AND ABOVE (**)	1	0.029	25,771,096	15.419
TOTAL :	3,379	100.000	167,138,400#	100.000

REMARK : * - Less than 5% of issued shares
** - 5% and above of issued shares
# - Excluding treasury shares

SUBSTANTIAL HOLDERS

NAME	DIRECT NO. OF SHARES	PERCENTAGE(*)	INDIRECT NO. OF SHARES	PERCENTAGE
ACTE Properties Sdn Bhd	25,771,096	15.419	-	-
Leong Ngai Seng	4,805,956	2.875	28,468,186	17.033
Toh Kie Ho	150,000	0.090	25,771,096	15.419

DIRECTORS INTEREST

NAME	DIRECT NO. OF SHARES	%*	INDIRECT NO. OF SHARES	%
Leong Ngai Seng	4,805,956	2.875	28,468,186	17.033
Ong Li Tak	-	-	-	-
Soon Kwai Choy	400,000	0.239	610,000	0.365
Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi	-	-	-	-
Chua Teck Leong	-	-	-	-

* Excluding treasury shares

List of Top 30 Shareholders

as at 31 March 2017

No.	Name	No. of Shares Held	Percentage
1	ACTE PROPERTIES SDN BHD	25,771,096	15.419
2	YEOH PHEK LENG	7,000,000	4.188
3	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO CHAI HOCK	6,176,700	3.695
4	LEE BOON LENG	3,846,154	2.301
5	CHEN PO HSIUNG	3,425,000	2.049
6	LEE HONG PENG	3,200,000	1.914
7	LEONG NGAI SENG	2,800,000	1.675
8	ADSCORE SDN.BHD.	2,697,090	1.613
9	LOW BOON FIN	2,402,400	1.437
10	TAN BEE LENG	2,402,400	1.437
11	LEE BOON LENG	2,323,062	1.389
12	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEONG NGAI SENG	2,005,956	1.200
13	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM AH PENG	2,000,000	1.196
14	WANG, CHUN-CHENG	1,848,200	1.105
15	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO TANG SENG	1,651,000	0.987
16	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SAM TEK YANG	1,620,000	0.969
17	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HSU TONG KEY	1,567,000	0.937
18	CHUA ENG GUAN	1,538,462	0.920
19	C.L.P.INDUSTRIES SDN BHD	1,478,000	0.884
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR ANG SOK KIANG (MY2470)	1,447,500	0.866
21	KUMAR A/L ELLAYA	1,428,000	0.854
22	CHUA ENG GUAN	1,405,000	0.840
23	CHEN, SHAN-CHING	1,400,000	0.837
24	JOHAN ENTERPRISE SDN. BHD.	1,400,000	0.837
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEONG NGAI HOONG	1,290,000	0.771
26	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW SENG GUAN	1,280,400	0.766
27	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIEW MEY YONG	1,195,900	0.715
28	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR YEO ANN SECK (MY0696)	1,035,300	0.619
29	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA ENG GUAN	1,028,900	0.615
30	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEONG HAI SAN	1,000,000	0.598
	Total		53.646

List of Properties

as at 31 December 2016

	Location	Description	Tenure	Valuation/ Acquisition/ Completion Date	Approximate Site Area (Sq.Ft.)	Carrying Amount RM	Existing Use
JMC	Lot 2668 Geran 101544, Mukim Plentong, Johor Bahru	Development Land	Freehold	20 July 2015 (Valuation)	5.3292 hectares		Vacant
	Lot 2667 Geran 101543, Mukim Plentong, Johor Bahru	Development Land	Freehold	20 July 2015 (Valuation)	5.8656 hectares		Vacant
	Lot 409 Geran Mukim 1171, Mukim Plentong, Johor Bahru	Development Land	Freehold	20 July 2015 (Valuation)	1.8843 hectares		Vacant
	Lot 408 Geran Mukim 1170, Mukim Plentong, Johor Bahru	Development Land	Freehold	20 July 2015 (Valuation)	2.2764 hectares		Vacant
Total						32,342,860	

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Acoustech Berhad
(Company No. 496665-W)
(Incorporated in Malaysia)

Proxy Form

CDS Account No.	
No. of shares held	

I/We, …………………………………………………………………………….. I.C./Passport/Company No. ……………………………………………

of ………

being a member of **ACOUSTECH BERHAD**, do hereby appoint ……………………………………………………………………………

…………………………………………………………………………… I.C. / Passport No. ……………………………………………………………

of ………
or failing *him/her the Chairman of the Meeting as *my/our proxy to vote for *me/us on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held at **Connexion Conference & Event Centre (CCEC), Connexion @ Nexus, Level 3A, Spectrum Room, No. 7, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur** on **Monday, 22 May 2017** at **11.00 a.m.** and at any adjournment thereof.

My/Our proxy is to vote as indicated below:

RESOLUTIONS	FOR	AGAINST
Resolution 1		
Resolution 2		
Resolution 3		
Resolution 4		
Resolution 5		
Resolution 6		
Resolution 7		

Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as *he/she thinks fit.

Signed this ………….. day of ………………

…………………………………………………...
Signature/Common Seal of Member(s)

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:

	No of shares	Percentage
Proxy 1	………………………………………………	%
Proxy 2	………………………………………………	%
Total		100%

Notes:

1. A Member of the Company who is entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him.
2. A Member of the Company who is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA") may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. A Member of the Company who is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. Where an exempt authorized nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
5. A proxy need not be a Member of the Company. A proxy appointed to attend and vote shall have the same rights as the Member to speak at the meeting.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its common seal or the hand of its officer or its duly authorised attorney.
7. The instrument of proxy must be deposited at the Share Registrar's Office situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
8. For the purpose of determining a Member who shall be entitled to attend and vote at the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 15 May 2017 and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxies to attend and vote in his stead.

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Stamp

The Share Registrar of
ACOUSTECH BERHAD
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur

please fold along this line (2)

Acoustech Berhad
(Company No. 496665-W)

Unit 30-01, Level 30, Tower A, Vertical
Business Suite Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur.
Tel : 03-2783 9191 fax : 03-2783 9111