Acoustech Berhad
(Company No. 496665-W)

New Era

annual report
2017

CONTENTS

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of the Company will be held at Berjaya Waterfront Hotel, 88 Jalan Ibrahim Sultan, Stulang Laut, 80300 Johor Bahru, Johor Darul Takzim on Monday, 28 May 2018 at 2.00pm for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 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 RM 220,000 in respect of the financial year ended 31 December 2017. [2016: RM200,000] **Resolution 1**

3. To approve payment of Directors' benefits of up to RM 150,000 for the financial period from 1 July 2018 to 30 June 2019. **Resolution 2**

4. To re-elect Soon Kwai Choy, a Director retiring in accordance with Article 103 of the Constitution of the Company. **Resolution 3**

5. To re-elect Koh Boon Huat, a Director retiring in accordance with Article 108 of the Constitution of the Company. **Resolution 4**

6. 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:

7. **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 subject to approvals from Bursa Malaysia Securities Berhad 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 for the time being **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

8. **Retention of Independent Director in accordance with the Malaysian Code on Corporate Governance** **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."

Notice of Annual General Meeting

To consider and if thought fit, to pass the following Special Resolution:

9. **Proposed Adoption of New Constitution of the Company** **Resolution 8**

"THAT approval be and is hereby given for the Company to revoke its existing Constitution with immediate effect and in place thereof, the proposed new Constitution as set out in Appendix 1 to the Company's Annual Report for the financial year ended 31 December 2017 be adopted as the Company's Constitution AND THAT the Directors of the Company be authorized to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all such acts and things and take such steps as may be considered necessary to give effect to the foregoing. "

By Order of the Board

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

Kuala Lumpur
27 April 2018

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 21 May 2018 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 2019. 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 July 2018 until the conclusion of the Company's next Annual General Meeting in 2019.

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 to retain Mr Soon Kwai Choy who has served as an Independent Director for a cumulative term of more than nine (9) years in the Company. The Nomination Committee and the Board of Directors had recommended the retention of the Independent Director as they had at their annual assessment determined that the Independent Director is objective and independent in expressing his views and in participating in deliberations and decision making of the Board and Board Committees. The length of his service on the Board does not in any way interfere with the exercised of independent judgement and his ability to act in the best interests of the Company.

   Resolution No. 8
   The proposed Special Resolution will bring the Company's Constitution in line with the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and to enhance administrative efficiency.

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

Koh Boon Huat
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

- **Soon Kwai Choy** (Chairman)
- **Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi**
- **Koh Boon Huat**

NOMINATION COMMITTEE

- **Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi** (Chairman)
- **Koh Boon Huat**
- **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 (AF 0206)
Chartered Accountants
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.

PRINCIPAL PLACE OF BUSINESS

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

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

PRINCIPAL BANKERS

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

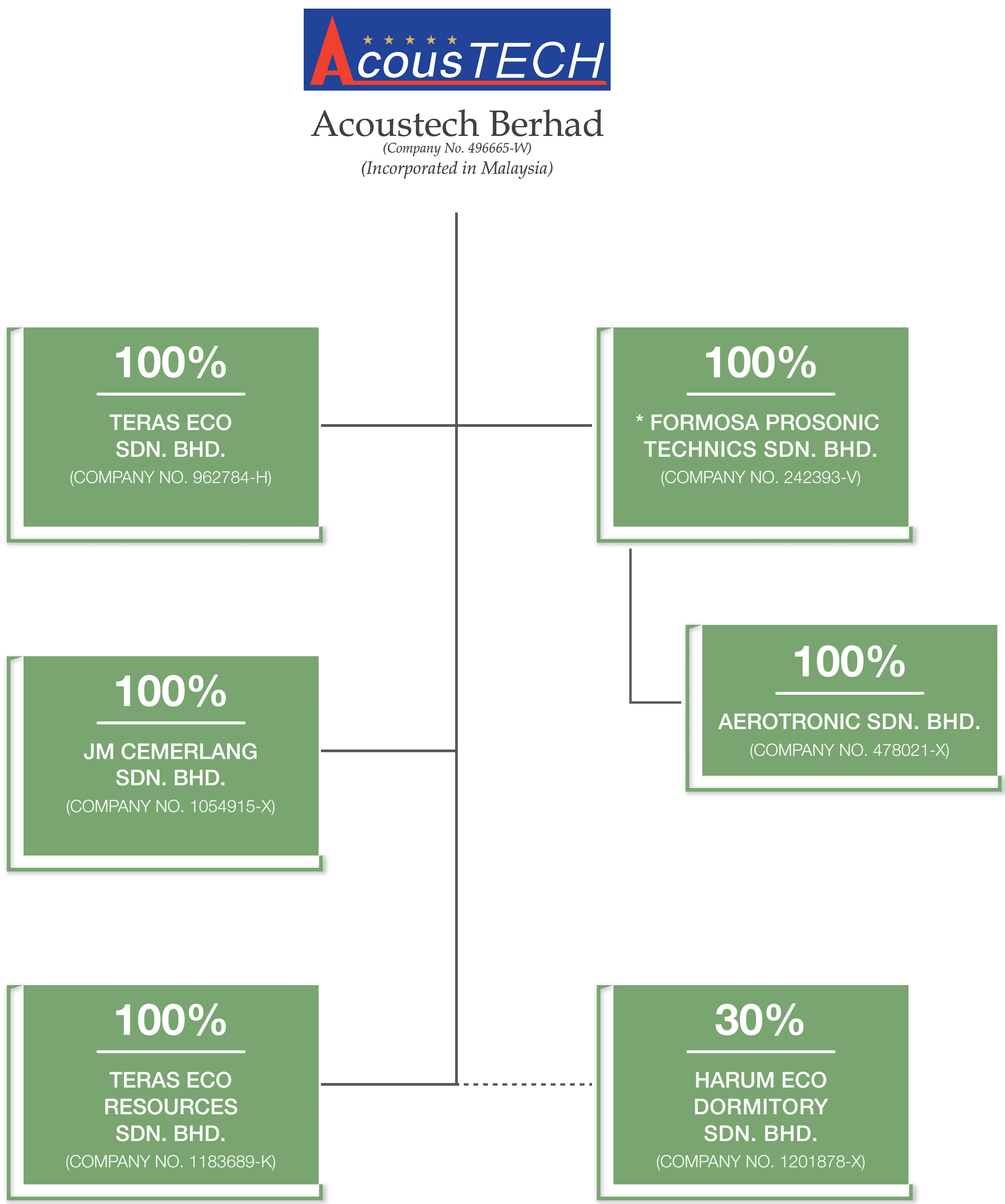
STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

WEBSITE

www.acoustech.com.my

Corporate Structure



* Disposed off and ceased to be subsidiary since 2 January 2018

Management Discussion and Analysis

The financial year under review was challenging with performance falling below expectation for both the operating segments. The Group's property launches had to be delayed due to weak and sluggish demand and tight lending restrictions. This situation is compounded by cautious consumer spending and resistance or delay by investors and purchasers to commit to real estate investments. For the audio business, escalating costs and inability to diversify into other product development led to lost in competitiveness and drop in demand. As a result, the group registered a total loss after tax of RM13.9 million on the back of losses arising from both the property and audio segments.

FINANCIAL HIGHLIGHTS

The audio segment posted revenue of RM41.6 million, approximately 23% lower compared to a revenue of RM54.2 million in the preceding year. The weaker turnover was due to a significant change in consumer appetite for other product types resulting in depressed demand for speaker units. The performance of the property segment was subdued with the group posting a revenue of RM5 million which is approximately 92% lower than the previously financial year ended 2016. The diminished revenue was primarily a result of sales revocation for previously confirmed sales resulting from purchasers' unsuccessful attempts to secure end financing. Cash sales on the other hand were not affected.

Loss before tax for the Group stands at RM13.6 million where the audio segment contributed to a loss before tax of RM4.9 million which was affected, amongst others, by write down of inventory carrying value and impairment of plant and machinery amounting to RM0.8 million and RM0.9 million, respectively. The remaining losses stem from the property segment which posted RM4.7 million loss before tax, a contrast to the profit before tax of RM8.4 million posted in the preceding year. Returns of the property segment was affected by sale revocations at Senibong 88 units that could not be avoided. Despite mitigating efforts, the revocation of sales resulted in a loss of RM1.3 million.

FINANCIAL CONDITION

Total assets

The Group's total asset contracted from RM174.4 million in the preceding year to RM140.2 million as at end of the financial year under review. Total liabilities also reduced from RM60.8 million as at end of preceding year to RM40.5 million as at 31 December 2017. Total equity eroded by RM13.9 million from RM113.6 million in the preceding year to RM99.7 million as at end of 2017, equivalent to Group loss after tax posted for the year. Net asset per share as at end of 2017 stood at 56 sen per share.

Receivables

The Group's trade and other receivables reduced by RM25 million taking into consideration the amounts receivable by Formosa Prosonic Technics Sdn. Bhd. ("FPT") of RM9.5 million listed under assets classified as held for sale. Most of the RM33 million in trade and other receivables at year end 2017 have been collected in the first quarter of 2018.

Management Discussion and Analysis

Loans

For amounts owing by the Group, term loan outstanding as at end 2017 stands at RM15.2 million. This is a reduction of RM13 million from RM28.2 million outstanding as at end of 2016. The reduction is mainly due to settlement of term loan in respect of the restructuring of the Jaya 88 land and redemption sums paid for units sold. The remaining amount is mainly in respect of term loan to finance the 38-acre Desa 88 development land in Plentong, Johor Bahru. Of the RM15.2 million term loan outstanding as at year end, RM13.5 million is in respect of term loan for the Desa 88 development with RM1.7 million utilised as bridging finance for Senibong 88. Overall, the Group has a relatively low gearing which allows the Group to leverage on further borrowings, if required, for funding acquisitions and development projects in future.

Cash Position

The Group has a decent cash position as at end 2017, which is approximately RM17 million or 31% as against total current assets. The disposal of FPT has enabled the Group to unlock further cash amounting to RM10.6 million which has now been earmarked to bolster the Group's property development business.

Creditors

The Group has minimal commitments apart from amounts captured under trade and other creditors. Total hire purchase commitments accounts for a minimal 2.2% of total liabilities of continuing operations. Group contingent liabilities are as stated in Note 35 (of the Financial Statements) consists of a Corporate Guarantee and a Proportionate Corporate Guarantee issued to two financial institutions for credit facilities granted for the Desa 88 project and the hostel development. As the facilities are secured against land and property pledged and serve only as additional security, the Board is of view that the risk of the guarantees being called upon is low.

Management Discussion and Analysis

FUTURE PROSPECTS AND RISKS

The continued losses of the audio segment prompted the management to evaluate the sustainability and profitability of the segment. After due consideration, the Board decided it was in the best interest of the Group to dispose the audio segment. Although this segment consistently contributed revenue to the Group, its losses continued to erode retained earnings for two consecutive years, erasing an aggregate of RM7.7 million in pre-tax losses for 2016 and 2017. Results of analysis of business trends for this segment unfortunately indicated a bleak outlook in the long run and in January 2018, the Group ceased this business altogether vide the disposal of FPT. Consequent from this, the Group recorded a minimal loss of disposal of RM0.8 million but was able to unlock investment of RM10.6 million.

Whilst the disposal of audio segment was a positive step towards sustainability, it also meant the Group will be operating on a single stream of income, which is property development and construction. As the property division of the Group is maturing as a full-fledged business unit, this segment however continues to be affected by industry wide challenges such as getting the proper development mix, pricing, locality and providing proper infrastructure. Timing of sales launches and the ability of purchasers to secure financing in an ever tightening credit market are also key success factors which are at times beyond the control of the Group. Mindful of these matters, the Board leverages on the skillsets and resourcefulness of its directors and key management personnel as well as engaging reputable external agents to assist with market studies and feasibility studies.

To bolster the Group's development land bank, in December 2017, the Group successfully inked a 19.3-acre commercial development project in the District of Kota Tinggi, State of Johor vide a Joint Development Agreement ("JDA") with YPJ Builders Sdn. Bhd., an entity of the Johor State Government. This new project will consist of an initial 84 units of 2 and 3 storey shop offices. Barring unanticipated delays, construction work for the project is expected to commence in fourth quarter of 2018 once the appropriate approvals are in place. The JDA is the second of such a venture in the area of Kota Tinggi, Johor. As the development is in close proximity to Pengerang where a massive oil refinery hub is situated, the Group can expect to leverage on the fast growing community in the area. In spite of the subdued demand in other parts of the country, the Board is confident that the high demand for properties, both residential and commercial in the Pengerang region will be sustainable and continue to grow as the oil refinery operations continue to widen in Pengerang. The current combined gross development value and gross development profit for both projects in Pengerang are currently estimated at RM126.4 million and RM42 million respectively. The Board believes that the arrangement to joint venture with land owners will enable the Group to save on borrowing cost and reduce or minimise any land holding cost in the event of delays in the commencement of projects.

Management Discussion and Analysis

Separately, the Group has continued to explore development potential in growth areas beyond Johor. In December 2017, the Group was able to execute 2 separate Memorandum of Understanding ("MOUs") for joint ventures to develop a 5-storey luxury hotel on a parcel of prime leasehold land measuring 1.2 acres in the vicinity of Bandar Kota Laksamana and the other to develop residential units on leasehold land measuring 3.9 acres located in Mukim Krubong, both within the state of Melaka. The hotel venture will be the first of such a development undertaken by the Group and is certain to enhance the Group's track record and capability in the property segment. The feasibility of the projects have not been finalised as the terms and conditions of the proposed joint ventures are still in the negotiation stage at this juncture.

Construction of the integrated workers dormitory consisting of 120 hostel units in 5 dormitory blocks situated in Permas is progressing well with an expected 50% completion rate as at end of April 2018. Construction revenue from this segment contributed RM3.9 million in revenue to the Group as at end 2017 and expected to achieve 97% completion by end of 2018 with an equivalent of RM22.3 million to be generated in turnover for the Group. Rent payments, resulting from the lease of the hostels to Harum Eco Resources Sdn. Bhd. expected to commence in first quarter of 2019, will bring an estimated recurring annual income of RM3.6 million.

For our Plentong project known as Desa 88, which sits on 38 acres of development land, Management has earmarked 5 phases to be launched progressively over the next 3-4 years. This development, undertaken by JM Cemerlang Sdn. Bhd. is expected to reap an estimated GDV of RM163 million and GDP of RM48m. Phase 1 which was target for launch in mid-2017, unfortunately had to be deferred due to the persistent soft property market and weak economic sentiment in general. Delays in obtaining local authorities approval was another contributing factor. While the launch was delayed, preliminary earth works started in 2017 and targeted to complete in second quarter 2018, paving way for construction of an initial 40 units of link factories with an estimated GDV and GDP of RM38.6 million and RM13.2 million respectively. With a sub-RM1 million selling price, good locality and established surrounding infrastructure, the Board is pleased to note strong demand from potential purchasers with near full take up of all the units available for registration for Phase 1. The Board is pleased to inform that financing for this project has already been secured and while there has been a delay with the launch, Management is confident that this project will help to put the Group back to profitability in the coming years.

The Board is quietly optimistic that the current projects at hand is sufficient to generate budgeted revenue and profit for 2018 as the Board also continues to source for other development projects and land banks for future development, either via acquisition or joint ventures.

Management Discussion and Analysis

COMPLEMENTARY INFORMATION TO FINANCIALS

Group revenue of both major segments – audio and property development and construction represent performance over 12 full months. The disposal of audio segment, which comprise FPT and its subsidiary Aerotronic Sdn. Bhd., was only completed on 2 January 2018, subsequent to close of financial year 2017. The timing of the discontinuation of audio segment allowed the Group to include the segment's entire 12 months' performance into 2017. The Board had deliberated extensively on the disposal and is confident that post disposal, the Group can utilise its resources and be more focused on its core business – property development and construction.

The Group's entering into the joint ventures and MOUs is set to strengthen its core business in property development whilst spreading its operation risks in different locations and adding to the variety of properties. The MOUs in Melaka is a first step forward for the Group outside of Johor. The Board is hopeful the terms and conditions that are being negotiated with the parties concerned will progress into joint venture agreements. The location of the proposed hotel is strategic due to its proximity to the Melaka historical sites and the cluster of tourist attractions. With the increasing attention and influx of tourists from countries in Asia and around the world, the investment property is expected to generate commendable revenues and profits in the future. The hotel, when completed, has potential for appreciation in value and provide an option to be unlocked when the opportunity arises.

EXPECTATIONS FOR 2018

The disposal of the audio segment marked a significant shift in focus and direction which has benefited the Group in several ways. The Group expects to generate higher returns from investments in the property segment which is more traditional, stable and manageable in the longer term and where profitability is not encumbered by severe currency fluctuations and changes in consumer demand as compared with the audio business. Although risk is now concentrated solely around property related activities, the Group is quietly optimistic that it is able to maximise resources in a more efficient manner to generate better and faster returns.

While the macroeconomic scenario remains unclear, statistics from research houses do indicate a better year ahead. In January 2018, the Malaysian Institute of Economic Research (MIER) revised upwards its prediction of the country's gross domestic product (GDP) to 5.6% for 2017 and forecast the GDP growth projection for 2018 at 5.4%.

For the property sector, the current glut remains an industry wide challenge which warranted Bank Negara Malaysia in November 2017 to issue a warning of an oversupply with emphasis in major cities such as the Klang Valley, Penang and in Johor Bahru. Bank Negara cautions that the mismatch between demand-supply, pricing and affordability if persisted will lead to severe macroeconomic consequences. The Board believes that policies since introduced by the regulatory authorities to address the current situation will in the longer term assist to smoothen an

Management Discussion and Analysis

otherwise hard landing for the property market. Our Group has not been exempted from the challenges highlighted by the government authorities and Management has taken on added precaution to ensure all future projects undertaken will be scrutinised for commercial viability and to also take into consideration non-traditional factors such as social dynamics, cost of living and affordability.

The Group is confident that it is able to differentiate its product mix with its industrial cum commercial units and hostels products in the industrial area of Plentong. With improvements in infrastructure, connectivity and increasing concentration of small to light industries in the state, Management is optimistic that the properties built are attractive and marketable once the economic situation improves. In Pengerang, the commitment of the Government in making the area an oil refinery hub is seeing an uptake in demand for limited residential properties to house employees. The Group expects spill over effects for demand of commercial properties where its current projects are strategically situated.

For this year, the Group will focus on three core projects, namely the launch of Phase 1 factories at Desa 88, Plentong, shop offices at Pengerang and the Melaka projects. The Board is hopeful to conclude negotiations for strategic partnerships and joint ventures in the coming months and add to the Group's landbank for future development.

SIGNIFICANT MATTERS

Completion of FPT disposal on 2 January 2018 marked a new chapter for the Group moving forward with greater focus on property development and construction.

On 19 February 2018, Mr. Koh Boon Huat was appointed to the Board as Independent Non-Executive Director. Fellow Board members, management and staff welcome his appointment and are optimistic Mr. Koh can assist the Group to achieve greater heights with his wealth of experience in the banking sector.

Profile of Directors

Leong Ngai Seng
Chairman/ Executive Director

Malaysian, male, aged 46, 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 has a Law Degree and Commerce Degree LLB (Hons) B. Comm. from University of Melbourne and has previously practised as a solicitor and worked as a merchant banker in the Corporate Finance Department of a leading merchant bank in Malaysia.

Mr. Leong holds directly 4,545,956 ordinary shares or 2.72% 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 major offences within the past five (5) years and has not been imposed with any penalty by any regulatory bodies during the financial year 2017. 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 41, Executive Director, was appointed to the Board of Acoustech Berhad on 19 February 2016. Richard Ong was born in Kluang, Johor, in 1977.

Richard has extensive experience in property development. He was attached with the property development segment of BCB Berhad prior to assuming his role in Acoustech Berhad. 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.

He is a member of the Remuneration Committee of the Company. 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 major offences within the past five (5) years and has not been imposed with any penalty by any regulatory bodies during the financial year 2017.

Profile of Directors

Soon Kwai Choy
Independent Non-Executive Director

Malaysian, male, aged 67, 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 and Risk Management 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 major offences within the past five (5) years and has not been imposed with any penalty by any regulatory bodies during the financial year 2017.

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

Malaysian, male, aged 35, 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 development in Melaka and Johor.

He is a member of the Audit and Risk Management Committee and the Chairman of the Nomination Committee and Remuneration Committee of the Company. 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 major offences within the past five (5) years and has not been imposed with any penalty by any regulatory bodies during the financial year 2017.

En. Ahmad Rahizal is also an Independent Non-Executive Director and Chairman of Risk Management Committee and Nomination Committee of Minetech Resources Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad.

Profile of Directors

Koh Boon Huat
Independent
Non-Executive Director

Malaysian, aged 63, Independent Non-Executive Director, was appointed to the Board of Acoustech Berhad on 19 February 2018. He graduated with a Degree in Management (Honours) from Multimedia University (MMU) in 2006 and obtained a Diploma in Management from Malaysia Institute of Management (MIM) in 1998.

Mr. Koh started his working career in the banking and finance industry and rose through the ranks in his 40 year banking career. His last held position was Executive Director/ Area Manager, South Area Centre with United Overseas Bank (M) Berhad where he was responsible for managing eight branches in Johor and Melaka with a staff force of over 400 subordinates.

Specifically, Mr. Koh has extensive knowledge and experience in banking operations, credit & marketing, compliances, collections and recovery. Apart from servicing commercial clients, Mr. Koh has extensive experience dealing with Corporate Clients on matters relating to credit lending, wealth management, trade finance, operations and forex.

He is a member of the Audit and Risk Management Committee and Nomination Committee of the Company. Mr Koh 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 major offences within the past five (5) years and has not been imposed with any penalty by any regulatory bodies during the financial year 2017.

Profile of Key Senior Management

Tee Kuan Hong

Malaysian, male, aged 34, 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 net worth 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 major offences within the past five (5) years.

Tia Chong Hao

Malaysian, male, aged 33, 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 major 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 2017.

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
(Resigned on 20 November 2017)

Koh Boon Huat
Independent Non-Executive Director
(Appointed on 19 February 2018)

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, updated August 2016, are consistent with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (the “Exchange”).

A copy of the terms of reference is available on the Company’s website www.acoustech.com.my.

Authority

- The Audit and Risk Management Committee has the authority to investigate any matter within its terms of reference.
- It has the resources which are required to perform its duties.
- It has unlimited access to all information relevant to its activities.
- It is allowed to have direct communication channels with the external auditors and the persons carrying out the internal audit function.
- It is authorised by the Board to obtain legal or other professional advice if it deems necessary.
- The Audit and Risk Management Committee has the authority to convene meetings with the external auditors, the internal auditors or both excluding the attendance of the other directors and employees of the Company, whenever deemed necessary.

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.
- The Chairman of the Committee must be an independent director.

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;
  - with the external auditors, the audit plan;
  - with the external auditors, their 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.
- 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.

ACTIVITIES

The Committee met six (6) 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 Audit Planning Memorandum and Audit Review Memorandum with the external auditors; and
- Reviewed the Risk Management Report.

MEETINGS

The Audit and Risk Management Committee met six (6) times during the financial year end 31 December 2017. Details of attendance are as follows:

Name of Committee Members	Attendance
Soon Kwai Choy	6/6
Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi	6/6
Chua Teck Leong *(Resigned on 20 November 2017)*	4/6

Audit and Risk Management Committee Report

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.

A summary of the work performed during the financial year under the internal audit functions is as follows:

Company	Work Performed
FPT and Aerotronic	- Half year stock take - Year end stock take - Banking systems - Debtors and collection system - Statutory payments - Payroll - Related party transactions - Intercompany transactions
TESB and JMC	- Banking systems - Borrowings - Related party transactions - Intercompany transactions - Payroll - Profit recognition - Development expenditure capitalised - Review of JV agreements

The cost of internal audit was RM70,000 during the financial year ended 31 December 2017.

Corporate Governance Statement

Acoustech Berhad is committed to achieve success through adopting industry best practices and adopting well-establish corporate governance principles 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 ("MCCG") and Corporate Governance Guide. A detailed Corporate Governance Statement which disclosed the application of each Principle set out in the MCCG during the financial year 2017 is available on the Company's website www.acoustech.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Leadership

Board's Roles and Responsibilities

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

The Board has formalised and adopted a Board Charter which serves as a source of reference and primary induction literature, providing insights to existing and prospective Board members to assist the Board in the performance of their fiduciary duties as Directors of the Company. The Board Charter is available on www.acoustech.com.my.

The Board delegates certain responsibilities to Board Committees namely the Audit and Risk Management Committee, Remuneration Committee, Nomination Committee, and Investment Working Committee in order to enhance business and operational efficiency and effectiveness. The Terms of Reference for the Board Committees can be found at www.acoustech.com.my.

Chairman and Managing Director

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 judgement and check and balance on the Board.

Company Secretaries

The Company Secretaries play an advisory role to the Board and is responsible to ensure all Board procedures and Board management matters are in line as well as in compliance with Listing Requirements, relevant laws and regulations. The Company Secretaries ensure that discussions at Board and Board Committee meetings are well documented, and subsequently communicated to the relevant Management for appropriate action.

Board Delegation

Audit and Risk Management Committee
The Audit and Risk Management Committee reviews and evaluate the audit plan and system of internal controls of external auditors, adequacy of internal audit functions. The Committee also reviews, comments and present the quarterly financial results and year end results for approval of the Board.

Remuneration Committee
The Remuneration Committee is responsible to review and recommend remuneration packages and employment policies applicable to the Chairman, Managing Director, Directors and Senior Executives.

Corporate Governance Statement

Nomination Committee
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.

Investment Working Committee
The Investment Working Committee has 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, in respect of investment proposals, provide oversight on new and or/ major investments, and provide guidance and recommendations on investment matters.

Board Composition and their attendances

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 14 to 16.

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.

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 2017, five (5) 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	5	5
Ong Li Tak	5	5
Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi	5	5
Soon Kwai Choy	5	5
Chua Teck Leong *(Resigned on 20 November 2017)*	4	3

Corporate Governance Statement

Board Committees Composition and their attendances

a) Audit and Risk Management Committee

Name of Committee Members	Designation	No. of Meetings Attended/ No. of Meetings Held
Soon Kwai Choy	Chairman	6/6
Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi	Member	6/6
Chua Teck Leong *(Resigned on 20 November 2017)*	Member	4/6

b) Nomination Committee

Name of Committee Members	Designation	No. of Meetings Attended/ No. of Meetings Held
Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi	Chairman	2/2
Soon Kwai Choy	Member	2/2
Chua Teck Leong *(Resigned on 20 November 2017)*	Member	1/1

c) Remuneration Committee

Name of Committee Members	Designation	No. of Meetings Attended/ No. of Meetings Held
Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi	Chairman	1/1
Soon Kwai Choy	Member	1/1
Ong Li Tak	Member	1/1

Code of Conduct and Ethics

The Code of Ethics, serves as a road map to guide the Board in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity. The Group has also in place the Code of Conduct for its employees which comprised all aspects of its day to day business operations.

Directors and employees of the Group are expected to perceive high standards of integrity and fair dealings in relation to clients, staff, management and regulators which the Group operates and ensure compliance with all applicable laws, rules and regulations. The Code of Conduct and Code of Ethics are available on the Company's website at www.acoustech.com.my.

Board Independence

The Board recognises the importance of independence and objectivity in its decision-making process which is in line with the MCCG. The assessment of Independence for the Independent Non-Executive Directors for the Group is conducted annually and incorporated in the questionnaires tailored for Independent Non-Executive Directors.

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.

Corporate Governance Statement

Tenure of Independent Directors

One of the recommendations of the MCCG states that the tenure of an independent director should not exceed a cumulative term of 9 years. MCCG also requires that retention of an independent director having served in excess of 12 years be justified by the Board and obtains shareholders' approval on an annual basis through a two-tier voting process. 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.

Gender Diversity

The Board supports the gender boardroom diversity as recommended under the MCCG. 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.

Appointments to the Board

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.

Nomination of Board Members

The Group Nomination Committee is comprised of the following Independent Non-Executive Directors.

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 *(Resigned on 20 November 2017)*
Koh Boon Huat (Member)	- Independent Non-Executive Director *(Appointed 19 February 2018)*

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 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.

Supply and Access 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 Secretaries and where necessary, obtain independent professional advice at the Group's expense.

Corporate Governance Statement

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. 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 2017, the Board has concluded that the Board as a whole and its Committees functioned 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, questioning, free expression of ideas and opinions to propagate meaningful discussions and decision making.

Re-election of Directors

In accordance with the Company's Constitution, 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 may offer themselves for re-election.

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

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.

Directors' Trainings

All Directors of the Company except Mr. Koh Boon Huat have attended Bursa Malaysia's Mandatory Accreditation Programme ("MAP").

During the financial year ended 31 December 2017, 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.

Corporate Governance Statement

Directors	Training attended	Date
Leong Ngai Seng	New Companies Act 2016	20 November 2017
Ong Li Tak	New Companies Act 2016	20 November 2017
Soon Kwai Choy	Asia Pacific Accounting Conference New Companies Act 2016	6 November 2017 20 November 2017
Chua Teck Leong *(Resigned on 20 November 2017)*	Sustainability Engagement Series for Directors/ Chief Executive Officers	13 March 2017

Directors' Remuneration

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 2017, the remuneration of the Directors are as follows:

	Basic Salary (RM'000)	Bonus (RM'000)	Fees (RM'000)	Other emoluments (RM'000)	Benefits-in kind (RM'000)	Total (RM'000)
Executive Director						
1. Leong Ngai Seng	438	25	60	-	7	530
2. Ong Li Tak	375	27	40	-	15	457
Non-Executive Director						
1. Soon Kwai Choy	-	-	40	46	-	80
2. Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi		-	40	40	-	86
3. Chua Teck Leong	-	-	40	23	-	63

Sustainability

Sustainability is encouraged within the Group's corporate culture. The Sustainability Statement of the Group for the reporting period January 2017 to December 2017 set out on page 37 of this Annual Report and explains the Group's practices, ideas and activities carried.

Corporate Governance Statement

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The Group Audit and Risk Management Committee comprise three Independent Non-Executive Directors whose Chairman is Mr. Soon Kwai Choy, a member of the Malaysian Institute of Accountants since 1980. The Audit and Risk Management Committee carries the responsibilities as listed in Audit and Risk Management Committee Report on page 19 of the Annual Report.

Relationship with the External 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.

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 and Risk Management Committee summarises and communicates the key business risks to the Board for consideration and resolution. Internal audit activities are conducted in-house and based on an annual internal audit plan tabled and approved by the Audit and Risk Management Committee. 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 and Risk Management Committee 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 a 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 33 to 36 of the Annual Report.

Internal Audit Function

The Group has an Internal Audit Unit that reports directly to the Audit and Risk Management Committee. The internal audit function is described in the Audit and Risk Management Committee Report set out on page 18 to 20 of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

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 and Risk Management Committee assists the Board in scrutinizing information for disclosure to ensure compliance with accounting standard, accuracy, adequacy and completeness.

Corporate Disclosure Policies and Procedures

The Company ensure all information such as corporate announcements, circulars to shareholders and financial results are disseminated to the general public in a timely and accurate manner.

The Company's quarterly interim financial results are released within two months from the end of each quarter. The Annual Report, which is the key communication channel between the Company and its shareholders, is published within four months after the financial year end. The Annual Report provides an insightful analysis of the Group's performance, operations and prospect affecting shareholders' interest.

Relationship between the Company and 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. In accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions are voted by poll at General Meetings.

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.

Leverage on Information Technology for Effective Dissemination of Information

The Group maintains a corporate website at www.acoustech.com.my which serves as a forum for the general public to access information on the corporate information, annual reports, corporate announcements and subsidiary developments on the Group's website.

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 major 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 did not acquire any 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.

Material Contracts
There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest which were still subsisting as at the end of the financial year or which were entered into since the end of the previous financial period.

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 34 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 recognises the responsibility we have towards our people, communities and environment in which we operate. The Group continuously develops, implements, maintains, reviews and improves its corporate responsibility 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 the Group; 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 Group's Occupational Safety and Health procedures. The welfare of our employees and those involved with our business are aligned with all our activities where three basic premises that are adopted within our 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**
2017		
Breakdown by Gender		
Male	5	348
Female	-	111
Total	5	459
Breakdown by Age Group		
< 30	-	233
30 - 50	3	213
> 50	2	13
Total	5	459
Breakdown by Ethnicity		
Malay	1	94
Chinese	4	31
Indian	-	12
Bangladeshi	-	119
Indonesian	-	20
Burmese	-	45
Nepalese	-	117
Pakistanese	-	20
Vietnamese	-	1
Total	5	459

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, the Group 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 the Group 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 2017, 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:

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

Statement of Risk Management and Internal Control

These objectives will be achieved by:

- Establishing risk management framework to manage the risks associated with the Group's business activities.
- Establishing a risk management organizational structure to act in an advisory and guiding capacity and which is accessible to all relevant parties.
- Adopt processes, which demonstrate that risk management principles are being applied across the whole organization.
- Provide training in risk awareness.
- Maintain documented procedures for the control of risk and provision of suitable information, training and supervision.
- Maintain an appropriate system for recording incidents and carrying out post event checks to ascertain causes and identify preventive measures against re-occurrence.
- 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.
- Maintain effective communication and involvement of all staff and stakeholders.
- 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.

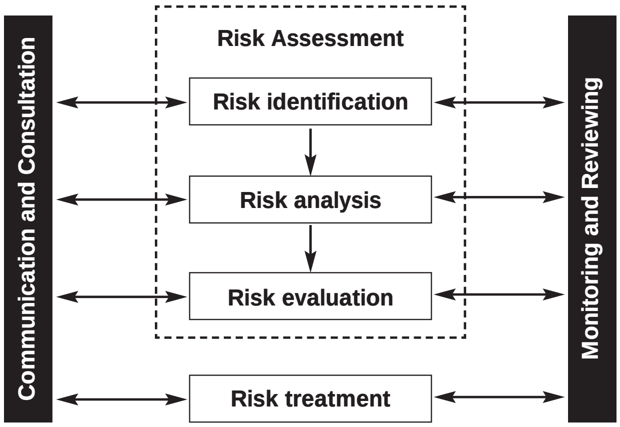
Statement of Risk Management and Internal Control

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 the 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:

- The management structure is well defined, with clear lines of authority and responsibility.
- The Board continually assesses business performance and evaluates operation controls at all levels, and where necessary takes appropriate remedial action.
- 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.
- Financial results are reviewed quarterly by the Audit Committee and the Board and compared to budgets and forecasts.
- Executive Directors and Heads of Departments meet regularly to discuss operational, management issues, financial performance and indicators focusing on the evaluation of applicable risks.
- Operations “ISO Standards 9001:2008 and 14001” and Accounting procedures are communicated to staff at all levels.
- 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.
- 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.
- 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.
- The Audit Committee reviews the Recurrent Related Party Transactions undertaken by the Group twice a year.
- The Group had established 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.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the MMLR, 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 the Audit and Assurance Practice Guide 3 (“AAPG3”) [Previously known as “RPGs (Revised) 2015”] issued by Malaysian Institute of Accountants. The External Auditors’ procedures have been conducted to assess whether the Statement on Risk Management and Internal Control is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the adequacy and integrity of the system of internal control for the Group.

AAPG3 does not require the External Auditors to consider whether this Statement covers all risk and controls, or to form an opinion on the adequacy and effectiveness of the Group’s risk and control procedures. Based on their procedures performed the External Auditors have reported to the Board that nothing has come to their attention which 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 & 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 RM70,000 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.

Sustainability Statement

Following the amendments to the Main Market Listing Requirements on sustainability reporting pursuant to paragraph 29, Part A of Appendix 9C. The Group has included in this annual report its inaugural statement on sustainability. The coverage on sustainability is confined mainly to our property development operations within Malaysia.

1) Core areas

The Group's statement of sustainability emphasises on the following three core areas:

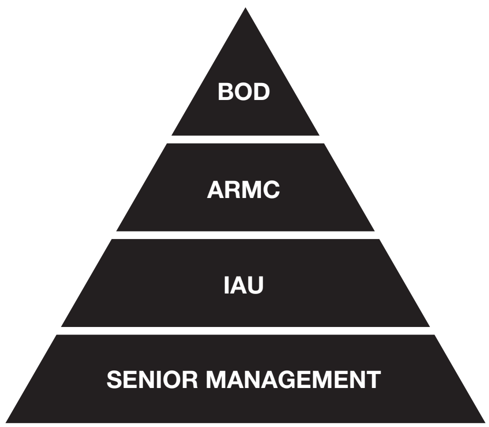
(a) Economic
(b) Environmental
(c) Social

Collectively, the three core areas are referred to as the abbreviated EES, which affects the performance of the Group's operations, activities and initiatives.

2) Delegation of function

The Group recognises and is committed to uphold good corporate governance as it is an essential factor that has significant impact on sustainability of the Group's operations in the long run. In implementing the study on EES, the Group has delegated the relevant duties to Group's Internal Audit Unit ("IAU") as the IAU is more independent and has been critical of the Group's internal controls and standards of operations. The findings and analysis of the key areas by IAU is furnished to Audit and Risk Management Committee ("ARMC") for deliberation before being forwarded to the Board of Directors in the form of enhanced advisory. The analysis and reporting are performed on a quarterly basis and may include or duplicate the typical scope of internal audit and risk management that are already part and parcel of the functions under IAU and ARMC.

The delegation of sustainability analysis and reporting chain is simplified into the following diagram.



The Board of Directors peruse the findings and the advice of ARMC as additional input to remain informed of the Group's direction into the future and makes decisions taking into consideration the information. Decisions by the Board of Directors in turn translate into instructions and actions to be executed by management and employees with the aim of achieving desired outcome.

Sustainability Statement

3) Stakeholders Engagement

The Group comes into contact with various parties in carrying out its operations. Eight categories of stakeholders have been identified by the Group and the key engagements during 2017 in respect of each of those categories of stakeholders are summarised as follows:

Stakeholder	**Key engagements in 2017**	**Frequency**
Customers	After sales service. Defect liability period.	Ongoing Ongoing
Employees	Periodic discussions.	Ongoing
Shareholders	Annual General Meeting. Interim results.	Annually Quarterly
Investors and lenders	Meetings with investors. Meetings with bankers.	Occasional Periodic
Government / regulators	Meetings. Written communication.	Regular Periodic
Local communities	Hosting of charity events.	Occasional
Consultants / Contractors	Meetings with consultants and contractors.	Regular
Media	Press releases and media coverage.	Occasional

4) Based on the engagements with key internal stakeholders during the year, the Group identified the following material issues concerning EES:

Economic	(a) Achieving targeted completion date and obtaining Certificate of Completion and Compliance. (b) Delivering quality properties at competitive prices. (c) Publicity and branding for the Group.
Environmental	(a) Emphasis on green mentality. (b) Incorporation of energy efficient innovations.
Social	(a) Amenities within project. (b) Assisting purchasers with end financing. (c) Charity.

(i) Economic

Meeting targeted completion date and obtaining Certificate of Completion and Compliance

The Group prioritises timely completion and delivery of vacant possession of completed properties to its purchasers. In order to achieve this, the Group maintains good relationship with a pool of competent and effective consultants and contractors who are ready and willing to be engaged for Groups' future projects.

Sustainability Statement

Delivering quality properties at competitive prices

Amidst the challenging economic conditions in the country, the Group takes cognisance the price of its properties have a direct and profound impact on marketability. As such, the sizing and pricing of Group's new products to be launched are given focus to ensure they are affordable to prospective purchasers.

Publicity and branding for the Group

The Group ventured into property development in 2015 via the acquisition of TESB and JMC. Since then, it has already completed its maiden project, Senibong 88, comprised of 45 units of factories in Permas Jaya. The next projects lined up for the Group include TESB's two (2) joint development projects in the vicinity of Pengerang, Johor and Desa 88 project in Plentong, Johor Bahru. As the Group is fairly new in the property market, publicity and branding is crucial. The Group constantly undertakes branding and marketing initiatives to introduce its product line up to prospective purchasers vide suitable channels.

(ii) Environmental

Emphasis on green concept

The Group constantly seeks innovative designs and construction approach that are functional, contemporary and aesthetic but yet environmental friendly. Initiatives such as incorporation of systematic garbage disposal system, rain harvesting systems and preservation of fauna and flora within a development are considered at the planning and design stage of each development. Such features are incorporated into the developments if they are within the feasibility of projects concerned.

Apart from our projects, the Group also occasionally organises environmental-themed and eco-friendly events such as tree-planting to increase the number of trees in public locations in its effort to improve carbon dioxide absorption, for shade and cooling reasons and for landscape aesthetics purposes.

Incorporation of energy efficient innovations

As consumer lifestyles changes along with trends and unrestricted flow of information on technology, the Group takes into consideration during its product planning and design stage enhancements such as motion sensing switches, one of the latest energy saving electrical devices and setups that could help lower the power consumption for the completed property. Such energy efficient features offer long term savings for the purchasers.

(iii) Social

Amenities within project

The Group recognises the importance of security in any development. This factor alone is a significant consideration in the decision making of purchasers in selecting a property. At Senibong 88, the issue of security has been addressed from the onset with the project being designed as a gated and guarded commercial cum industrial development ("comdustrial"). Purchasers and visitors alike, would benefit from the security feature.

For employees of the companies operating at Senibong 88, the need for leisure is also important as their general welfare and happiness would contribute positively to their performance at work, to the advantage of the employers. To accomplish this, Senibong 88 was designed with generous sections of the land within the development earmarked for leisure purpose. Complete with benches and greeneries, the areas designated for leisure are for common use within Senibong 88 development.

Sustainability Statement

Assisting purchasers with end financing

In line with escalating cost of living, inflation and sharp rise in property prices over the recent years, purchasers face challenges in obtaining end financing. So as to enable the Group to meet its sales targets, assistance is rendered to purchasers who need access to licensed financial institutions for end financing purpose. The recommendation and referral by the Group do make a positive impact in purchasers' securing of end financing.

Charity

Whenever possible, the Group makes effort in hosting charities to aid those in need and those who are less fortunate. The Group believes in giving back to the society and empowering them however small to help them make another step forward in the society.

During the year, the Group sponsored a table at a fund raising charity dinner held at Majestic Hotel, Kuala Lumpur, organised by FunGates Superflow Foundation wherein proceeds from the event benefitted the poor and under-privileged community in Alor Setar and Kuala Lumpur. FunGates Superfow Foundation is dedicated in operating a "soup kitchen" in Jinjang and the low-cost flats in the area. The foundation is also involved in running two dialysis centres, a home for abandoned, abused and under-privileged children, a home for physically and mentally challenged adults and a recreation centre for senior citizens, among other public welfare and charitable initiatives.

The Group through its own foundation also contributed donations and undertook calligraphy and art classes at an orphanage in Johor Bahru.

FINANCIAL STATEMENTS

Directors' Report

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 9 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
Loss for the financial year from continuing operations	8,752,817	16,960,640
Loss for the financial year from discontinued operation	5,130,341	-
Loss for the financial year	13,883,158	16,960,640
Attributable to:		
Owners of the parent	13,883,158	16,960,640
Non-controlling interests	-	-
	13,883,158	16,960,640

DIVIDEND

No dividend has been paid, declared, or proposed by the Company since the end of the previous financial year. The Directors do not recommend any payment of dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than the effects of adoption of Companies Act 2016 as disclosed in Note 19 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

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

Directors' Report

TREASURY SHARES

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 1 June 2016, renewed the approval for the Company to repurchase its own shares.

Further relevant details are disclosed in Note 18 to the financial statements.

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

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

<u>Acoustech Berhad</u>

Leong Ngai Seng	
Soon Kwai Choy	
Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi	
Ong Li Tak	
Koh Boon Huat	(Appointed on 19 February 2018)
Chua Teck Leong	(Resigned on 20 November 2017)

<u>Subsidiaries of Acoustech Berhad</u>

Pursuant to Section 253 of Companies Act 2016 in Malaysia, the list of Directors of the subsidiaries during the financial year and up to the date of this report is as follows:

Ong Li Tak	
Tee Kuan Hong	(Appointed on 18 January 2017)
Lee Boon Leng	(Resigned on 18 January 2017)
Lee Kwan Fatt	(Resigned on 18 January 2017)
Ng Kang Wee	(Resigned on 18 January 2017)
Teo Chai Hock	(Resigned on 18 January 2017)

Directors' Report

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 2017 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	Number of ordinary shares			
Shares in the Company	**Balance as at 1.1.2017**	**Bought**	**Sold**	**Balance as at 31.12.2017**
Direct interests				
Leong Ngai Seng	4,805,956	-	(260,000)	4,545,956
Soon Kwai Choy	400,000	-	-	400,000
Indirect interests				
Leong Ngai Seng	28,468,186	-	-	28,468,186
Soon Kwai Choy *	610,000	-	-	610,000

* Deemed interests through spouse's shareholdings pursuant to Section 59(11)(c) of the Companies Act 2016 in Malaysia.

By virtue of Leong Ngai Seng's substantial interest in the shares of the Company, he is deemed to have interest in the shares of all the subsidiaries to the extent that the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and 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 remuneration 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 34 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.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 28 to the financial statements.

Directors' Report

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

There were no indemnity given to or insurance effected for the Directors or officers and auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements of the Group and of the Company were prepared, 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 except as disclosed in Notes 16 and 30 to the financial statements; 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.

Directors' Report

(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.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 37 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant event subsequent to the end of the reporting period is disclosed in Note 38 to the financial statements.

AUDITORS

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

The details of the auditors' remuneration of the Group for the financial year ended 31 December 2017 are disclosed in Note 28 to the financial statements.

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

....

Leong Ngai Seng
Director

....

Ong Li Tak
Director

Kuala Lumpur
24 April 2018

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 53 to 109 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 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 2017 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

....
Leong Ngai Seng
Director

....
Ong Li Tak
Director

Kuala Lumpur
24 April 2018

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 53 to 109 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 and the abovenamed at)
Kuala Lumpur this)
24 April 2018)

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 2017 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 53 to 109.

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 2017, 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 2016 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) Impairment assessment of the carrying amounts of goodwill

As at 31 December 2017, the Group had goodwill amounting to RM23,469,424 which is set out in Note 8 to the financial statements.

We have focused on this impairment assessment as it requires significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the subsidiaries in determining the recoverable amounts. These key assumptions include forecasting growth in future revenues and operating profit margins, as well as determining an appropriate pre-tax discount rate and growth rates.

Independent Auditors' Report

to the members of Acoustech Berhad (Incorporated in Malaysia)

Key Audit Matters (continued)

(a) Impairment assessment of the carrying amounts of goodwill (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;

(iii) evaluated gross profit margins and growth rates to support the key assumptions in projections;

(iv) evaluated pre-tax discount rate for each subsidiary by comparing to the weighted average cost of capital of the Group and relevant risk factors; and

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

(b) Revenue recognition for construction contracts and property development

Revenue from construction contracts and property development for the financial year ended 31 December 2017 amounted to RM3,944,969 and RM1,103,088 respectively as disclosed in Note 25 to the financial statements. The determination of stage of completion requires management to exercise significant judgement in estimating the total costs to complete.

In estimating the budgeted contract costs and budgeted development costs, the Group considers the completeness and accuracy of its cost estimation, including its obligations to contract variations, claims and cost contingencies.

Audit response

Our audit procedures included the following:

(i) assessed reasonableness of the stage of completion determined by management for revenue recognition, by taking into account the construction and development costs incurred up to the end of the reporting period and the estimated costs to complete;

(ii) verified samples of costs incurred to date to the relevant supporting documentation such as progress claims;

(iii) compared prior budgets to actual outcomes to assess reliability of management's budgeting process; and

(iv) inquired and inspected correspondences from sub-contractors in relation to variation orders and claims.

Independent Auditors' Report

to the members of Acoustech Berhad (Incorporated in Malaysia)

Key Audit Matters (continued)

(c) Recoverability of trade receivables

As at 31 December 2017, trade receivables of the Group that were past due but not impaired amounted to RM3,772,907. The details of trade receivables and its credit risk have been disclosed in Note 13 to the financial statements.

Management recognised allowances for impairment losses on trade receivables based on specific known facts or circumstances and customers' abilities to pay, which involved significant management judgement.

Audit response

Our audit procedures included the following:

(i) assessed recoverability of trade receivables that were past due but not impaired with reference to their ageing profiles and past historical repayment trends;

(ii) inquired with management regarding the action plans to recover overdue amounts; and

(iii) assessed cash receipts subsequent to the end of the reporting period for its effect in reducing amounts outstanding as at the end of the reporting period.

(d) Impairment assessment of the carrying amounts of investment in subsidiaries

As at 31 December 2017, the net carrying amount of investments in subsidiaries amounted to RM67,042,757 as disclosed in Note 9 to the financial statements.

Impairment assessment on the carrying amount of investments in subsidiaries requires significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the subsidiaries in determining the recoverable amounts. In this instance, the recoverable amount is based on value-in-use. These key assumptions include growth rates, as well as determining an appropriate pre-tax discount rate used for each subsidiary.

Audit response

Our audit procedures included the following:

(i) evaluated the assessment by management that no impairment loss on investments was required based on recoverable amounts of the subsidiaries;

(ii) compared cash flow projections against recent performance and historical accuracy of forecasts/projections and challenged assumptions in projections;

(iii) evaluated the reasonableness of gross profit margins and growth rates by assessing evidence available to support these key assumptions;

(iv) evaluated the reasonableness of the pre-tax discount rate used for each subsidiary by comparing to the weighted average cost of capital of the Group and relevant risk factors; and

(v) performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

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 2016 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 judgement 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.

Independent Auditors' Report

to the members of Acoustech Berhad (Incorporated in Malaysia)

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

(d) Conclude on the appropriateness of the 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 ability of the Group or of the Company 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 or 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.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 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
03185/07/2019 J
Chartered Accountant

24 April 2018
Kuala Lumpur

Statements of Financial Position

as at 31 December 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	6	1,245,656	2,516,989	940,420	322,881
Investment property	7	2,800,000	1,549,260	-	-
Goodwill	8	23,469,424	23,469,424	-	-
Investments in subsidiaries	9	-	-	67,042,757	76,651,134
Investment in an associate	10	-	125,635	-	600,000
Inventories	11	39,809,394	38,919,839	-	-
Deferred tax assets	12	10,949	-	-	-
Total non-current assets		67,335,423	66,581,147	67,983,177	77,574,015
Current assets					
Inventories	11	8,605,776	11,827,742	-	-
Trade and other receivables	13	33,038,671	67,526,274	12,476,827	44,000,456
Current tax assets		326,669	1,062,360	2,000	-
Short term funds	14	8,575	14,798,413	8,575	8,286
Cash and bank balances	15	12,059,898	12,627,189	8,173,264	3,936,781
Total current assets		54,039,589	107,841,978	20,660,666	47,945,523
Assets classified as held for sale	16	18,859,791	-	10,600,000	-
TOTAL ASSETS		140,234,803	174,423,125	99,243,843	125,519,538

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

Statements of Financial Position

as at 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	17	96,252,901	88,910,700	96,252,901	88,910,700
Treasury shares	18	(8,231,980)	(8,231,980)	(8,231,980)	(8,231,980)
Reserves	19	11,744,248	32,969,607	9,566,951	33,869,792
TOTAL EQUITY		99,765,169	113,648,327	97,587,872	114,548,512
LIABILITIES					
Non-current liabilities					
Term loans	20	13,495,943	21,424,618	-	-
Hire purchase liabilities	21	633,082	195,957	531,882	-
Deferred tax liabilities	12	446,981	125,554	446,981	300,503
Total non-current liabilities		14,576,006	21,746,129	978,863	300,503
Current liabilities					
Trade and other payables	22	15,824,836	29,680,954	603,230	10,668,419
Term loan	20	1,719,806	6,792,724	-	-
Hire purchase liabilities	21	89,195	37,950	73,878	-
Derivative liabilities	23	-	766,621	-	-
Current tax liabilities		-	1,750,420	-	2,104
Total current liabilities		17,633,837	39,028,669	677,108	10,670,523
Liabilities classified as held for sale	16	8,259,791	-	-	-
TOTAL LIABILITIES		40,469,634	60,774,798	1,655,971	10,971,026
TOTAL EQUITY AND LIABILITIES		140,234,803	174,423,125	99,243,843	125,519,538

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 2017

	Note	Group 2017 RM	Group 2016 RM (restated)	Company 2017 RM	Company 2016 RM
Continuing operations					
Revenue	25	5,048,057	60,035,943	-	15,318,000
Cost of sales	26	(6,815,807)	(48,674,010)	-	-
Gross (loss)/profit		(1,767,750)	11,361,933	-	15,318,000
Other income		1,314,896	35,104	642,800	1,287,044
Selling and distribution costs		(521,458)	(317,621)	-	-
Administrative expenses		(4,886,608)	(4,962,899)	(2,592,321)	(2,141,755)
Other expenses		(2,281,048)	(150,985)	(14,847,675)	(455,672)
Finance costs	27	(454,095)	(97,458)	(17,070)	(273)
Share of loss of an associate, net of tax	10	(125,635)	-	-	-
(Loss)/Profit before tax	28	(8,721,698)	5,868,074	(16,814,266)	14,007,344
Tax expense	29	(31,119)	(3,161,076)	(146,374)	(306,792)
(Loss)/Profit for the financial year from continuing operations		(8,752,817)	2,706,998	(16,960,640)	13,700,552
Discontinued operation					
Revenue		41,641,231	54,174,287	-	-
Cost of sales		(43,646,453)	(53,906,426)	-	-
Gross (loss)/profit		(2,005,222)	267,861	-	-
Other income		1,341,242	1,586,410	-	-
Selling and distribution costs		(1,088,891)	(1,487,081)	-	-
Administrative expenses		(890,392)	(1,655,894)	-	-
Other expenses		(2,269,348)	(1,501,258)	-	-
Finance costs		(8,730)	(13,968)	-	-
Loss before tax		(4,921,341)	(2,803,930)	-	-
Tax expense		(209,000)	604,240	-	-
Loss for the financial year from discontinued operation		(5,130,341)	(2,199,690)	-	-
(Loss)/Profit for the financial year for continuing and discontinued operations		(13,883,158)	507,308	(16,960,640)	13,700,552
Other comprehensive income		-	-	-	-
Total comprehensive (loss)/income, net of tax		(13,883,158)	507,308	(16,960,640)	13,700,552
(Loss)/Earnings per ordinary share attributable to equity holders of the Company (sen)					
- Basic and diluted					
(Loss)/Profit from continuing operations		(5.24)	1.62		
Loss from discontinued operation		(3.07)	(1.32)		
(Loss)/Earnings per ordinary share	32	(8.31)	0.30		

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 2017

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
		(restated)		
Total continuing and discontinued operations				
Revenue	46,689,288	114,210,230	-	15,318,000
Cost of sales	(50,462,260)	(102,580,436)	-	-
Gross (loss)/profit	(3,772,972)	11,629,794	-	15,318,000
Other income	2,656,138	1,621,514	642,800	1,287,044
Selling and distribution costs	(1,610,349)	(1,804,702)	-	-
Administrative expenses	(5,777,000)	(6,618,793)	(2,592,321)	(2,141,755)
Other expenses	(4,550,396)	(1,652,243)	(14,847,675)	(455,672)
Finance costs	(462,825)	(111,426)	(17,070)	(273)
Share of loss of an associate, net of tax	(125,635)	-	-	-
(Loss)/Profit before tax	(13,643,039)	3,064,144	(16,814,266)	14,007,344
Taxation	(240,119)	(2,556,836)	(146,374)	(306,792)
(Loss)/Profit for the financial year	(13,883,158)	507,308	(16,960,640)	13,700,552
Other comprehensive income	-	-	-	-
Total comprehensive (loss)/income, net of tax	(13,883,158)	507,308	(16,960,640)	13,700,552

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

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2017

Group	Note	← Non-distributable		→	Distributable	
		Share capital RM	Share premium RM	Treasury shares RM	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	18	-	-	(611,262)	-	(611,262)
Dividend paid	31	-	-	-	(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
Balance as at 1 January 2017		88,910,700	7,342,201	(8,231,980)	25,627,406	113,648,327
Loss for the financial year		-	-	-	(13,883,158)	(13,883,158)
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income		-	-	-	(13,883,158)	(13,883,158)
Transfer pursuant to Companies Act 2016*	17	7,342,201	(7,342,201)	-	-	-
Balance as at 31 December 2017		96,252,901	-	(8,231,980)	11,744,248	99,765,169

* Pursuant to the Companies Act 2016, the credit balance in the share premium account has been transferred to the share capital account.

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

Statement of Changes in Equity

for the financial year ended 31 December 2017

Company	Note	← Non-distributable Share capital RM	Share premium RM	→ 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)	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	18	-	-	(611,262)	-	(611,262)
Dividend paid	31	-	-	-	(4,178,460)	(4,178,460)
Total transaction with owners		-	-	(611,262)	(4,178,460)	(4,789,722)
Balance as at 31 December 2016/ 1 January 2017		88,910,700	7,342,201	(8,231,980)	26,527,591	114,548,512
Loss for the financial year		-	-	-	(16,960,640)	(16,960,640)
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income		-	-	-	(16,960,640)	(16,960,640)
Transfer pursuant to Companies Act 2016*	17	7,342,201	(7,342,201)	-	-	-
Balance as at 31 December 2017		96,252,901	-	(8,231,980)	9,566,951	97,587,872

* Pursuant to the Companies Act 2016, the credit balance in the share premium account has been transferred to the share capital account.

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

Statements of Cash Flows

for the financial year ended 31 December 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/Profit before tax from:					
Continuing operations		(8,721,698)	5,868,074	(16,814,266)	14,007,344
Discontinued operation		(4,921,341)	(2,803,930)	-	-
Adjustments for:					
Depreciation of property, plant and equipment	6	603,759	573,875	153,372	24,456
Dividend income		-	-	-	(15,318,000)
(Gain)/Loss on fair valuation of:					
- derivative financial instruments		(766,621)	776,559	-	-
- short term funds		10	3,781	10	3,781
Gain on revaluation of investment property	7	(1,165,551)	-	-	-
Loss/(Gain) on disposal of property, plant and equipment		20,919	(553,243)	-	-
Income distribution from short term funds		(411,015)	(358,228)	(299)	(8,695)
Interest expense		452,133	95,925	16,353	-
Interest income		(51,756)	(49,334)	(32,176)	(26,254)
Interest income from an associate		(27,779)	-	(27,779)	-
Interest income from subsidiaries		-	-	(582,546)	(1,252,095)
Inventories written down		805,034	-	-	-
Impairment of investment in:					
- a subsidiary	28	-	-	13,698,277	-
- an associate	28	-	-	600,000	-
Net unrealised (gain)/loss on foreign exchange		(65,211)	70,377	-	-
Net unrealised loss on disposal of land to an associate		-	474,365	-	-
Property, plant and equipment:					
- impairment losses	6	929,155	-	-	-
- written off	6	-	9,910	-	-
Share of loss of an associate, net of tax	10	125,635	-	-	-
Operating (loss)/profit before working capital changes		(13,194,327)	4,108,131	(2,989,054)	(2,569,463)
Changes in working capital:					
Inventories		(779,868)	44,502,305	-	-
Trade and other receivables		27,263,396	(35,704,099)	(269,365)	(7,361)
Trade and other payables		(5,519,930)	(16,539,721)	(65,189)	234,670
Cash generated/(used in) from operations		7,769,271	(3,633,384)	(3,323,608)	(2,342,154)
Tax paid		(2,424,170)	(2,461,494)	(4,000)	(11,499)
Tax refunded		25,000	-	-	-
Net cash from/(used in) operating activities		5,370,101	(6,094,878)	(3,327,608)	(2,353,653)

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

Statements of Cash Flows

for the financial year ended 31 December 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Additional investments in subsidiaries		-	-	(37,999,900)	-
Acquisition of subsidiaries, net of cash and cash equivalents acquired		-	-	-	(2)
Advances to an associate		(2,247,779)	-	(2,247,779)	-
Advances to subsidiaries		-	-	-	(5,052,095)
Addition for investment property	7	(85,189)	(1,549,260)	-	-
Distribution from subsidiary arising from capital reduction		-	-	23,310,000	-
Dividends received from subsidiaries		-	-	-	15,318,000
Income distribution received from short term funds		411,005	354,447	289	4,914
Interest received		51,756	49,334	32,176	26,254
Interest income from an associate		27,779	-	27,779	-
Interest income from subsidiaries		-	-	582,546	1,252,095
Investment in an associate	10	-	(600,000)	-	(600,000)
Purchase of property, plant and equipment	6	(327,959)	(876,550)	(121,211)	(347,337)
Proceeds from disposal of:					
- property, plant and equipment		115,425	11,022,000	-	-
Repayment from subsidiaries		-	-	24,040,773	-
Net cash (used in)/from investing activities		(2,054,962)	8,399,971	7,624,673	10,601,829
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid to:					
- ordinary shareholders of the Company	31	-	(4,178,460)	-	(4,178,460)
Repayment of:					
- hire purchase liabilities		(161,330)	(35,968)	(43,940)	-
- term loans		(13,001,593)	(5,108,776)	-	-
Repurchase of treasury shares	18	-	(611,262)	-	(611,262)
Interest paid		(622,214)	(757,329)	(16,353)	-
Net cash used in financing activities		(13,785,137)	(10,691,795)	(60,293)	(4,789,722)
Net (decrease)/increase in cash and equivalents		(10,469,998)	(8,386,702)	4,236,772	3,458,454
Effects of exchange rate changes on cash and equivalents		(531)	85,750	-	-
Cash and cash equivalents at beginning of financial year		27,425,602	35,726,554	3,945,067	486,613
Cash and cash equivalents at end of financial year	15(e)	16,955,073	27,425,602	8,181,839	3,945,067

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

Statements of Cash Flows

for the financial year ended 31 December 2017

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	Note	As at 1.1.2017 RM	Cash flows RM	Non-cash flows RM	As at 31.12.2017 RM
Term loans	20	28,217,342	(13,001,593)	-	15,215,749
Hire purchase liabilities	21	233,907	(161,330)	649,700	722,277
Company					
Hire purchase liabilities	21	-	(43,940)	649,700	605,760

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

Notes to the Financial Statements

31 December 2017

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 Suite 100.5.025, 129 Offices, Block J, Jaya One, 72A Jalan Universiti, 46200 Petaling Jaya, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 31 December 2017 comprise the Company and its subsidiaries and the interests of the Group in an associate. 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 24 April 2018.

2. PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 9 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 provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 4.1 to the financial statements.

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.

Notes to the Financial Statements

31 December 2017

4. ADOPTION OF MFRSs AND AMENDMENTS TO MFRSs

4.1 New MFRSs adopted during the financial year

The Group and Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	Effective Date
Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to MFRS 107 *Disclosure Initiative*	1 January 2017
Amendments to MFRS 12 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2017

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

4.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company:

Title	Effective Date
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 15 Revenue from *Contracts with Customers*	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	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
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9* Financial Instruments *with MFRS 4* Insurance Contracts	See MFRS 4 Paragraphs 46 and 48
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

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

5. OPERATING SEGMENTS

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

During the financial year, the Group disposed its subsidiaries in audio division, and the disposal was subsequently completed on 2 January 2018 upon the fulfilment of terms in the Share Sale Agreement ("SSA"). Accordingly, the audio division has been reclassified as discontinued operation as disclosed in Note 30 to the financial statements and the comparative figures have been restated.

Acoustech Berhad has arrived at three (3) 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) Property development and construction division

Developing of properties, securing and carrying out construction contracts.

(ii) Investment holding division

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

(iii) Audio division

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

Segment performance is evaluated based on operating profit, excluding non-recurring losses, and in certain aspect 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.

Notes to the Financial Statements

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5. OPERATING SEGMENTS (continued)

2017	Property development and construction division RM	Investment holding division RM	Total continuing operations RM	Audio division (Discontinued operation) RM	Total RM
Revenue					
Total revenue	5,091,561	-	5,091,561	41,641,231	46,732,792
Inter-segment revenue	(43,504)	-	(43,504)	-	(43,504)
Revenue from external customers	5,048,057	-	5,048,057	41,641,231	46,689,288
Interest income	1,808	59,955	61,763	17,772	79,535
Income distribution from short term funds	-	299	299	410,716	411,015
Interest expense	(435,770)	(16,353)	(452,123)	(10)	(452,133)
Net interest (expense)/ income	(433,962)	43,901	(390,061)	428,478	38,417
Results					
Segment loss before tax	(4,718,249)	(4,003,449)	(8,721,698)	(4,921,341)	(13,643,039)
Assets					
Segment assets	108,916,265	12,121,129	121,037,394	18,859,791	139,897,185
Liabilities					
Segment liabilities	30,553,872	1,208,990	31,762,862	8,259,791	40,022,653
Other information					
Capital expenditure	30,286	770,911	801,197	176,462	977,659
Depreciation of property, plant and equipment	52,432	153,372	205,804	397,955	603,759
Fair value adjustment on derivative financial instruments	-	-	-	(766,621)	(766,621)

Notes to the Financial Statements

31 December 2017

5. OPERATING SEGMENTS (continued)

2016	**Property development and construction division RM**	**Investment holding division RM**	**Total continuing operations RM**	**Audio division (Discontinued operation) RM**	**Total RM**
Revenue					
Total revenue	62,792,439	15,318,000	78,110,439	54,174,287	132,284,726
Inter-segment revenue	(2,756,496)	(15,318,000)	(18,074,496)	-	(18,074,496)
Revenue from external customers	60,035,943	-	60,035,943	54,174,287	114,210,230
Interest income	156	26,254	26,410	22,924	49,334
Income distribution from short term funds	-	8,695	8,695	349,533	358,228
Interest expense	(95,885)	-	(95,885)	(40)	(95,925)
Net interest (expense)/income	(95,729)	34,949	(60,780)	372,417	311,637
Results					
Segment profit/(loss) before tax	8,430,824	(2,562,750)	5,868,074	(2,803,930)	3,064,144
Assets					
Segment assets	132,755,223	4,875,309	137,630,532	35,730,233	173,360,765
Liabilities					
Segment liabilities	51,048,432	668,418	51,716,850	7,181,974	58,898,824
Other information					
Capital expenditure	6,318	347,337	353,655	522,895	876,550
Depreciation of property, plant and equipment	67,014	24,456	91,470	482,405	573,875
Fair value adjustment on derivative financial instruments	-	-	-	776,559	776,559

Notes to the Financial Statements

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5. OPERATING SEGMENTS (continued)

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

	2017			2016		
	Continuing operations RM	**Discontinued operations RM**	**Total RM**	**Continuing operations RM**	**Discontinued operations RM**	**Total RM**
Profit for the financial year						
Total profit before tax for for reportable segments	(8,721,698)	(4,921,341)	(13,643,039)	5,868,074	(2,803,930)	3,064,144
Tax expense	(31,119)	(209,000)	(240,119)	(3,161,076)	604,240	(2,556,836)
(Loss)/Profit for the financial year	(8,752,817)	(5,130,341)	(13,883,158)	2,706,998	(2,199,690)	507,308
Assets						
Total assets for reportable segments	121,037,394	18,859,791	139,897,185	137,630,532	35,730,233	173,360,765
Current tax assets	326,669	-	326,669	-	1,062,360	1,062,360
Deferred tax assets	10,949	-	10,949	-	-	-
Group's assets	121,375,012	18,859,791	140,234,803	137,630,532	36,792,593	174,423,125
Liabilities						
Total liabilities for reportable segments	31,762,862	8,259,791	40,022,653	51,716,850	7,181,974	58,898,824
Deferred tax liabilities	446,981	-	446,981	125,554	-	125,554
Current tax liabilities	-	-	-	1,750,420	-	1,750,420
Group's liabilities	32,209,843	8,259,791	40,469,634	53,592,824	7,181,974	60,774,798

Notes to the Financial Statements

31 December 2017

5. 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 (discontinued operation).

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

	Group	
Continuing operations	**2017**	**2016**
Revenue	**RM**	**RM**
Malaysia	5,048,057	60,035,943

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

Major customer

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

	Revenue		
Continuing operations	**2017**	**2016**	**Segment**
	%	**%**	
- Customer A	78.15	33.31	Property development division

Notes to the Financial Statements

31 December 2017

6. PROPERTY, PLANT AND EQUIPMENT

Group 2017	Balance as at 1.1.2017 RM	Additions RM	Disposals RM	Impairment losses recognised during the year RM	Depreciation charge for the financial year RM	Reclassified as assets held for sale (Note 16) RM	Balance as at 31.12.2017 RM
Carrying amount							
Plant, machinery and equipment	1,304,170	176,461	-	(643,819)	(257,078)	(579,734)	-
Office equipment	145,833	1,204	-	(67,827)	(35,063)	-	44,147
Furniture and fittings	140,616	163	-	(20,394)	(29,702)	-	90,683
Motor vehicles	527,718	780,716	(136,344)	(159,960)	(215,243)	-	796,887
Renovations and installations	258,534	-	-	-	(29,655)	-	228,879
Canteen equipment	53,776	-	-	(37,155)	(16,621)	-	-
Computers	86,342	19,115	-	-	(20,397)	-	85,060
	2,516,989	977,659	(136,344)	(929,155)	(603,759)	(579,734)	1,245,656

	At 31.12.2017				
	Cost RM	Accumulated impairment RM	Accumulated depreciation RM	Reclassified as assets held for sale (Note 16) RM	Carrying amount RM
Plant, machinery and equipment	5,192,130	(643,819)	(3,968,577)	(579,734)	-
Office equipment	258,504	(67,827)	(146,530)	-	44,147
Furniture and fittings	182,549	(20,394)	(71,472)	-	90,683
Motor vehicles	2,362,185	(159,960)	(1,405,338)	-	796,887
Renovations and installations	296,544	-	(67,665)	-	228,879
Canteen equipment	225,378	(37,155)	(188,223)	-	-
Computers	154,493	-	(69,433)	-	85,060
	8,671,783	(929,155)	(5,917,238)	(579,734)	1,245,656

Notes to the Financial Statements

31 December 2017

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Notes to the Financial Statements

31 December 2017

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2017	Balance as at 1.1.2017 RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 31.12.2017 RM
Carrying amount				
Office equipment	12,746	784	(2,928)	10,602
Furniture and fittings	84,634	-	(18,807)	65,827
Motor vehicles	-	758,716	(101,100)	657,616
Renovations and installations	212,699	-	(22,382)	190,317
Computers	12,802	11,411	(8,155)	16,058
	322,881	770,911	(153,372)	940,420

	At 31.12.2017		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Office equipment	14,902	(4,300)	10,602
Furniture and fittings	94,038	(28,211)	65,827
Motor vehicles	758,716	(101,100)	657,616
Renovations and installations	223,819	(33,502)	190,317
Computers	26,773	(10,715)	16,058
	1,118,248	(177,828)	940,420

Notes to the Financial Statements

31 December 2017

6. 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) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and 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:

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

Notes to the Financial Statements

31 December 2017

6. PROPERTY, PLANT AND EQUIPMENT (continued)

(c) In the previous 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 for a consideration of RM11,000,000. The details of the disposal were as follows:

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

(d) During the financial year, the Group recognised impairment losses of RM929,155 on certain property, plant and equipment, which have been decommissioned and no longer in use.

(e) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Purchase of property, plant and equipment	977,659	876,500	770,911	347,337
Financed by hire purchase arrangements	(649,700)	-	(649,700)	-
Cash payments on purchase of property, plant and equipment	327,959	876,550	121,211	347,337

(f) The carrying amount of the property, plant and equipment of the Group and of the Company under hire purchase arrangements at the end of the reporting period are as follows:

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Motor vehicles	775,437	267,253	657,616	-

Details of the terms and conditions of the hire purchase arrangements are disclosed in Note 21 to the financial statements.

Notes to the Financial Statements

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7. INVESTMENT PROPERTY

Investment property, at fair value

Group

	Balance as at 1.1.17 RM	Transfer from property development costs (Note 11(a)(ii)) RM	Fair value adjustments RM	Balance as at 31.12.17 RM
Investment property	1,549,260	85,189	1,165,551	2,800,000

Investment property under construction, at cost

	Balance as at 1.1.16 RM	Transfer from property development costs (Note 11(a)(ii)) RM	Balance as at 31.12.16 RM
Investment property	-	1,549,260	1,549,260

(a) 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.

Notes to the Financial Statements

31 December 2017

7. INVESTMENT PROPERTY (continued)

(b) The fair values of the investment property at 31 December 2017 is based on a valuation carried out by a firm of independent professional valuers who have appropriate professional qualifications and recent experience in the relevant location and assets being valued. The fair value of the investment property was determined using comparison method and therefore is categorised as Level 2 in the fair value hierarchy.

The comparison method entails comparing the property with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, size, building construction and finishes, building services, management and maintenance, age and state of repair, market conditions and other relevant characteristics.

There is no transfer between levels in the fair value hierarchy during the financial year.

(c) The following is recognised in the statement of profit or loss and other comprehensive income in respect of investment property:

	Group	
	2017 RM	**2016 RM**
Quit rent and assessment	10,563	-

8. GOODWILL

	Group	
	2017 RM	**2016 RM**
Balance as at 1 January/31 December	23,469,424	23,469,424

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

(b) Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost. After initial recognition, goodwill is measured at cost less accumulated impairment losses.

(c) For the purpose of impairment testing, goodwill is allocated to the subsidiaries acquired, which represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The recoverable amount of the subsidiaries are determined based on the value in use (“VIU”) calculation. The VIU is calculated using the pre-tax cash flow projections based on financial budgets approved by management. VIU was determined by discounting the future cash flows generated from the development of properties of the subsidiaries and were based on the following key assumptions:

(i) Pre-tax cash flow projections based on the management’s most recent four (4) (2016: three) years business plans.

(ii) Pre-tax discount rate of 8% (2016: 5%) was applied in determining the recoverable amount of the subsidiaries. The discount rate was estimated based on risk premium 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.

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9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM	2016 RM
Unquoted shares - at cost	82,565,108	78,475,208
Less: Impairment losses	(15,522,351)	(1,824,074)
	67,042,757	76,651,134

(a) Investments in subsidiaries, which are eliminated on consolidation, are stated in the separate financial statements of the Company at cost less impairment losses, if any.

All components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

(b) The Company has assessed whether there were any indicators of impairment during the financial year. In doing this, management considered the current environments and performance of the Cash Generating Units ("CGUs"). Management has considered the losses in subsidiaries in the current financial year as impairment indicators.

Management has made estimates about the future results and key assumptions applied to cash flow projections of the CGUs in determining their recoverable amounts using the value-in-use model. These key assumptions include different budgeted operating profit margins, growth rates as well as determining an appropriate pre-tax discount rate used for each subsidiary.

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

Name of company	Interest in equity held by Company 2017 %	Company 2016 %	Subsidiary 2017 %	Subsidiary 2016 %	Principal activities
Formosa Prosonic Technics Sdn. Bhd. ("FPT")	100	100	-	-	Manufacturing and assembly of speaker units, multi-media 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	100	-	-	Property development
Subsidiary of FPT					
Aerotronic Sdn. Bhd. (Aerotonic)	-	-	100	100	Inactive

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31 December 2017

9. INVESTMENTS IN SUBSIDIARIES (continued)

(d) During the financial year, FPT decreased its issued and paid up share capital from RM33,300,000 divided into 33,300,000 ordinary shares to RM9,900,000 divided into 9,900,000 ordinary shares by cancelling 23,310,000 ordinary shares and the credit of RM23,310,000 arising therefrom, was distributed to the Company.

(e) Additional investments in subsidiaries during the financial year ended 31 December 2017 are as follows:

(i) On 28 April 2018, the Company subscribed for an additional 18,000,000 ordinary shares in TE for a cash consideration of RM18,000,000.

(ii) On 28 April 2018, the Company subscribed for an additional 19,999,900 ordinary shares in JMC for a cash consideration of RM19,999,900.

(f) During the year, impairment loss on investment in a subsidiary amounting to RM13,698,277 (2016: RM Nil) has been recognised in respect of a subsidiary as a Share Sales Agreement has been entered to dispose 100% of shareholding in the subsidiary as disclosed in Note 16 to the financial statements. The recoverable amount of this subsidiary was based on the fair value less costs of disposal.

10. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Unquoted shares, at cost	600,000	600,000	600,000	600,000
Unrealised profit arising from sale of assets to associate	(474,365)	(474,365)	-	-
Share of post - acquisition reserves, net of tax	(125,635)	-	-	-
Impairment loss	-	-	(600,000)	-
	-	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.

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

Name of company	Interest in equity held by a subsidiary 2017 %	2016 %	Principal activities
Harum Eco Dormitory Sdn. Bhd. ("HED") *	30	30	Property development, investment, rental and leasing.

* Equity accounted using audited financial statements and *not audited by BDO member firm*

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10. INVESTMENT IN AN ASSOCIATE (continued)

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

	2017 RM	2016 RM
Carrying amounts	-	125,635
Share of results for the financial year		
Share of profit or loss	(125,635)	-
Share of other comprehensive income	-	-
Share of total comprehensive income	(125,635)	-

11. INVENTORIES

	Note	Group 2017 RM	Group 2016 RM
Non-current assets			
Land held for property development	11(a)(i)	39,809,394	38,919,839
Current assets			
Property development costs	11(a)(ii)	2,118,308	8,804,958
Completed properties held for sale		6,487,468	-
Others	11(a)(iii)	-	3,022,784
		8,605,776	11,827,742
Total inventories		48,415,170	50,747,581

Notes to the Financial Statements

31 December 2017

11. INVENTORIES (continued)

(a) The details of the inventories are as follows:

(i) Land held for property development

Group	Freehold land RM	Development costs RM	Total RM
2017			
At cost			
Balance as at 1 January 2017	36,500,000	2,419,839	38,919,839
Additions	-	889,555	889,555
Balance as at 31 December 2017	36,500,000	3,309,394	39,809,394
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
Disposal 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

(ii) Property development costs

Group	Freehold land, at cost RM	Development costs RM	Total RM
2017			
Cumulative property development costs			
Balance as at 1 January 2017	16,031,011	42,286,679	58,317,690
Incurred during the financial year	7,015	2,924,633	2,931,648
Reversal upon completion of project	(14,391,680)	(38,166,693)	(52,558,373)
Transfer to investment property (Note 7)	(3,022)	(82,167)	(85,189)
Transfer to completed properties held for sale	(1,636,309)	(4,851,159)	(6,487,468)
Balance as at 31 December 2017	7,015	2,111,293	2,118,308

Notes to the Financial Statements

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11. INVENTORIES (continued)

(a) The details of the inventories are as follows (continued):

(ii) Property development costs (continued)

	Freehold land, at cost RM	Development costs RM	Total RM
Cumulative cost recognised in the statement of profit or loss and other comprehensive income			
Balance as at 1 January 2017	(10,134,132)	(39,378,600)	(49,512,732)
Recognised during the financial year	(4,257,548)	1,211,907	(3,045,641)
Reversal upon completion of project	14,391,680	38,166,693	52,558,373
Balance as at 31 December 2017	-	-	-
Property development costs as at 31 December 2017	7,015	2,111,293	2,118,308
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 (Note 7)	(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

Notes to the Financial Statements

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11. INVENTORIES (continued)

(a) The details of the inventories are as follows (continued):

(iii) Others

	Group 2017 RM	Group 2016 RM
At cost		
Raw materials	-	2,041,597
Work-in-progress	-	256,031
Finished goods	-	466,690
	-	2,764,318
At net realisable value		
Finished goods	-	258,466
	-	3,022,784

(b) Land held for property development consists of land where no development activities have been carried out or are not expected to be completed within the normal operating cycle of the Group. Such land is classified as non-current assets.

(c) Borrowing costs capitalised in property development cost during the financial year of the Group amounted to RM170,081 (2016: RM661,404) at a rate of 6.13% (2016: 6.13%) per annum.

(d) Freehold land under land held for property development has been charged to financial institutions for credit facilities granted to a subsidiary of the Company, JM Cemerlang Sdn. Bhd. as disclosed in Note 20 to the financial statements.

(e) Completed properties held for sale of the Group amounting to RM6,487,468 have been pledged to financial institutions as security for facilities granted to the Group as disclosed in Note 20 to the financial statements.

(f) Completed properties held for sale comprises costs associated with the acquisition of land, direct costs, appropriate proportions of common costs attributable to developing the properties to completion and borrowing costs.

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12. DEFERRED TAX

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Balance as at 1 January	125,554	495,051	300,503	-
Recognised in profit or loss (Note 29)				
- Continuing operations	101,478	300,503	146,478	300,503
- Discontinued operation	209,000	(670,000)	-	-
Balance as at 31 December	436,032	125,554	446,981	300,503
Presented after appropriate offsetting:				
Deferred tax assets, net	(10,949)	-	-	-
Deferred tax liabilities, net	446,981	125,554	446,981	300,503
	436,032	125,554	446,981	300,503

(b) 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 2017	-	-	-
Recognised in profit or loss	(10,949)	-	(10,949)
At 31 December 2017	(10,949)	-	(10,949)
At 1 January 2016	-	(140,000)	(140,000)
Recognised in profit or loss	-	140,000	140,000
At 31 December 2016	-	-	-

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12. DEFERRED TAX (continued)

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

Deferred tax liabilities of the Group

	Unused tax losses RM	Other temporary differences RM	Total RM
At 1 January 2017	-	125,554	125,554
Recognised in profit or loss	-	321,427	321,427
At 31 December 2017	-	446,981	446,981
At 1 January 2016	445,051	190,000	635,051
Recognised in profit or loss	(445,051)	(64,446)	(509,497)
At 31 December 2016	-	125,554	125,554

Deferred tax liabilities of the Company

	Other temporary differences RM	Total RM
At 1 January 2017	300,503	300,503
Recognised in profit or loss	146,478	146,478
At 31 December 2017	446,981	446,981
At 1 January 2016	-	-
Recognised in profit or loss	300,503	300,503
At 31 December 2016	300,503	300,503

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

	Group 2017 RM	Group 2016 RM
Continuing operations		
Unused tax losses	4,511,438	-

Deferred tax assets of a subsidiary has not been recognised in respect of this item as it is not probable that taxable profits of the subsidiary would be available against which the temporary differences can be utilised.

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

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13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade receivables				
Third parties	9,158,767	36,447,011	-	-
Accrued billings	17,189,973	29,733,746	-	-
Contract assets in relation to construction contracts	3,024,477	-	-	-
	29,373,217	66,180,757	-	-
Other receivables				
Amounts owing by subsidiaries	-	-	9,952,322	43,993,095
Amount owing by an associate	2,247,779	-	2,247,779	-
Deposits	340,599	447,364	229,600	2,000
Other receivables	333,683	618,743	26,302	5,332
	2,922,061	1,066,107	12,456,003	44,000,427
Loans and receivables	32,295,278	67,246,864	12,456,003	44,000,427
Prepayments	743,393	279,410	20,824	29
	33,038,671	67,526,274	12,476,827	44,000,456

(a) Loans and receivables are measured at amortised cost using the effective interest method.

(b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 14 to 90 days (2016: 14 to 90 days) from the date of invoice. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

(c) Amounts owing by subsidiaries represent advances and payments made on behalf, which are unsecured and bear interest rate of 3% (2016: 3%) per annum and receivable upon demand in cash and cash equivalents.

(d) Amount owing by an associate represents advances and payment made on behalf, which is unsecured and bear interest rate of 3% (2016: Nil) and receivable upon demand in cash and cash equivalents.

13. TRADE AND OTHER RECEIVABLES (continued)

(e) The currency exposure profile of loans and receivables is as follows:

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Ringgit Malaysia	32,295,278	64,230,536	12,456,003	44,000,427
US Dollar	-	3,016,328	-	-
	32,295,278	67,246,864	12,456,003	44,000,427

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

	Group	
	2017 RM	**2016 RM**
Neither past due nor impaired	5,385,860	29,397,682
Past due, not impaired		
1 to 30 days	2,554,201	1,300,306
31 to 60 days	3,199	276,047
61 to 90 days	384,000	180,544
More than 90 days	841,507	5,292,432
	3,772,907	7,049,329
	9,158,767	36,447,011

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.

(g) At the end of each reporting period, the significant concentration of credit risk in respect of amount owing by a customer which is 13% (2016: 11%) of the total loans and receivables of the Group.

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13. TRADE AND OTHER RECEIVABLES (continued)

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Effects of 3% changes to RM against US Dollar				
Profit after tax	-	69,659	-	-

(i) Sensitivity analysis for amounts owing from subsidiaries and an associate as at the end of the reporting period is not presented as fixed rate instruments are not affected by change in interest rates.

(j) Construction contracts

The contract assets from construction contracts are as follows:

	Group	
	2017 RM	2016 RM
Contract costs incurred to date	3,770,166	-
Add: Attributable profits	174,802	-
	3,944,968	
Less: Progress billings issued	(920,491)	-
	3,024,477	-
At the end of the year		
- Contract assets	3,024,477	-

14. SHORT TERM FUNDS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Financial assets at fair value through profit or loss				
Fixed income trust funds in Malaysia	8,575	14,798,413	8,575	8,286

(a) Short term funds are classified as fair value through profit or loss and measured at fair value, which is under Level 1 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.

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14. SHORT TERM FUNDS (continued)

(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	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	8,575	14,780,328	8,575	8,286
US Dollar	-	18,085	-	-
	8,575	14,798,413	8,575	8,286

15. CASH AND BANK BALANCES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	4,059,898	7,027,189	173,264	1,936,781
Deposits with licensed banks	8,000,000	5,600,000	8,000,000	2,000,000
	12,059,898	12,627,189	8,173,264	3,936,781

(a) Deposits with licensed banks are subject to fixed weighted average effective interest rates of 3.10% (2016: 2.73%) per annum and with a maturity period of 35 days (2016: 5 days to 35 days).

(b) Sensitivity analysis for fixed rate deposits at the end of the reporting period is not presented as fixed rate instruments is not affected by changes in interest rate.

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	12,059,898	10,692,509	8,173,264	3,936,781
US Dollar	-	1,817,896	-	-
Chinese Renminbi	-	116,784	-	-
	12,059,898	12,627,189	8,173,264	3,936,781

Notes to the Financial Statements

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15. CASH AND BANK BALANCES (continued)

(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	
	2017 RM	2016 RM	2017 RM	2016 RM
Effects of 3% changes to RM against foreign currencies				
Profit after tax				
- US Dollar	-	41,462	-	-
- Chinese Renminbi	-	2,663	-	-
	-	44,125	-	-

(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	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	4,059,898	7,027,189	173,264	1,936,781
Deposits with licensed banks (not more than three months)	8,000,000	5,600,000	8,000,000	2,000,000
Short term funds (Note 14)	8,575	14,798,413	8,575	8,286
	12,068,473	27,425,602	8,181,839	3,945,067
Cash and bank balances classified as held for sale (Note 16)	3,623,567	-	-	-
Short term funds classified as held for sale (Note 16)	1,263,033	-	-	-
	16,955,073	27,425,602	8,181,839	3,945,067

16. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

On 7 December 2017, the Company had entered into a Share Sale Agreement (“SSA”) with Formosa Prosonic Industries Berhad (“FPI”) in respect of the disposal of 9,990,000 ordinary shares representing 100% of issued and paid up capital of FPT for a cash consideration of RM10,600,000.

Accordingly, the assets and liabilities of FPT have been classified separately from other assets and liabilities in the statements of financial position as assets and liabilities held for sale as at the end of reporting period.

16. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE (continued)

As at 31 December 2017, the assets and liabilities held for disposal are as follows:

		Group	
	Note	2017 RM	2016 RM
Assets classified as held for sale			
Property, plant and equipment	6	579,734	-
Inventories		2,477,326	-
Investments in subsidiaries		-	10,600,000
Trade and other receivables		9,461,331	-
Current tax assets		1,454,800	-
Short term funds	15	1,263,033	-
Cash and bank balances	15	3,623,567	-
Assets classified as held for sale		18,859,791	10,600,000
Liabilities classified as held for sale			
Trade and other payables		8,259,791	-

(a) During the financial year, inventories of FPT recognised as cost of sales amounted to RM24,508,705 (2016: RM38,678,922).

(b) Included in the cost of sales are inventories written down recognised for FPT during the financial year amounted to RM805,034 (2016: Nil).

17. SHARE CAPITAL

	Group and Company			
	2017		2016	
	Number of shares	RM	Number of shares	RM
Issued and fully paid				
Balance as at 1 January	177,821,400	88,910,700	177,821,400	88,910,700
Transfer from share premium account pursuant to the Companies Act 2016	-	7,342,201	-	-
Balance as at 31 December	177,821,400	96,252,901	177,821,400	88,910,700

(a) 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.

(b) With the introduction of the Companies Act 2016 effective 31 January 2017, the concepts of authorised share capital and par value of share capital have been abolished. Consequently, balance within the share premium account of RM7,342,201 has been transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. Notwithstanding this provision, the Company may utilise its share premium account for purposes stipulated in Section 618(3) of the Companies Act 2016 for a transitional period of 24 months from 31 January 2017. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the member as a result of this transition.

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18. 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.

There were no shares repurchased during the financial year ended 31 December 2017.

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 2017.

As at 31 December 2017, the Company held 10,683,000 (2016: 10,683,000) treasury shares at a total cost of RM8,231,980 (2016: RM8,231,980).

19. RESERVES

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Non-distributable				
Share premium	-	7,342,201	-	7,342,201
Distributable				
Retained earnings	11,744,248	25,627,406	9,566,951	26,527,591
	11,744,248	32,969,607	9,566,951	33,869,792

20. TERM LOANS

	Group	
	2017 RM	**2016 RM**
Term loan I repayable by 60 equal monthly instalments of RM168,712 each commencing 14 July 2014	-	7,784,032
Term loan II repayable by 24 equal monthly instalments of RM180,000 each commencing 1 December 2014	-	2,030,006
Term loan III repayable by 24 equal monthly instalments of RM317,000 each commencing 11 February 2015	1,719,806	7,600,000
Term loan IV repayable by 24 equal monthly instalments of RM664,413 each commencing 1 January 2019	13,495,943	10,803,304
	15,215,749	28,217,342

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20. TERM LOANS (continued)

	Group 2017 RM	Group 2016 RM
Repayable as follows:-		
Current liabilities:-		
- not later than one (1) year	1,719,806	6,792,724
Non-current liabilities:-		
- later than one (1) year but not later than five (5) years	13,495,943	21,424,618
	15,215,749	28,217,342

(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 completed properties held for sale of the Group as disclosed in Note 11 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 following table sets out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the borrowings of the Group and of the Company that are exposed to interest rate risk:

Group 2017	Weighted average effective interest rate per annum %	Within 1 year RM	1-2 years RM	2-5 years RM	Over 5 years RM	Total RM
Term loans	6.77	1,719,806	7,048,482	6,447,461	-	15,215,749
2016						
Bank loans	6.78	6,792,724	5,079,400	16,345,218	-	28,217,342

20. TERM LOANS (continued)

(e) The interest rate profiles of the borrowings as at end of each reporting period are as follows:

	Group	
	2017 RM	**2016 RM**
Floating rate	15,215,749	28,217,342

(f) 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.

As at 31 December 2017	**On demand or within one (1) year RM**	**One (1) to five (5) years RM**	**Total RM**
Term loans	2,697,789	14,862,066	17,559,855
As at 31 December 2016			
Term loans	8,744,983	28,762,443	37,507,426

(g) Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group if interest rates at the end of each reporting period changed by fifty (50) basis points with all other variables held constant:

	Group	
(Loss)/Profit after tax	**2017 RM**	**2016 RM**
Increase by 0.5% (2016: 0.5%)	57,820	(107,226)
Decrease by 0.5% (2016: 0.5%)	(57,820)	107,226

The sensitivity is lower in 2017 than in 2016 due to a decrease in borrowings during the financial year. The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

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21. HIRE-PURCHASE LIABILITIES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Minimum hire-purchase payments:				
- not later than one (1) year	121,723	48,132	101,167	-
- later than one (1) year but not later than five (5) years	523,680	167,169	441,456	-
- later than five (5) years	199,363	53,064	166,855	-
Total minimum hire-purchase payments	844,766	268,365	709,478	-
Less: Future interest charges	(122,489)	(34,458)	(103,718)	-
Present value of hire-purchase liabilities	722,277	233,907	605,760	-
Repayable as follows:				
Current liabilities:				
- not later than one (1) year	89,195	37,950	73,878	-
Non-current liabilities:				
- later than one (1) year but not later than five (5) years	440,889	145,840	371,068	-
- later than five (5) years	192,193	50,117	160,814	-
	633,082	195,957	531,882	-
	722,277	233,907	605,760	-

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

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

(c) Hire-purchase liabilities are subject to weighted average effective interest rate of 4.74% (2016: 4.51%) per annum.

21. HIRE-PURCHASE LIABILITIES (continued)

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

Group	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
As at 31 December 2017				
Hire-purchase creditors	121,723	523,680	199,363	844,766
As at 31 December 2016				
Hire-purchase creditors	48,132	167,169	53,064	268,365
Company				
As at 31 December 2017				
Hire-purchase creditors	101,167	441,456	166,855	709,478

(e) Bank borrowings that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values are as follows:

	2017		2016	
Group	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Hire-purchase liabilities	722,277	600,129	223,907	200,503
Company				
Hire-purchase liabilities	605,760	502,140	-	-

The fair values of hire-purchase liabilities are estimated by discounting expected future cash flows at market incremental lending rate for similar type of lending, borrowings or leasing arrangements at the end of each reporting period.

The fair value of hire-purchase liabilities is categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

(f) Sensitivity analysis for fixed rate borrowing as at the end of the reporting period is not presented as fixed rate instruments are not affected by change in interest rates.

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22. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Trade payables				
Third parties	2,340,218	5,447,897	-	-
Retention sums	385,393	316,319	-	-
	2,725,611	5,764,216	-	-
Other payables				
Amount owing to a subsidiary	-	-	-	10,000,000
Other payables	10,105,163	18,901,760	2,029	13,049
Accruals	2,994,062	5,014,978	601,201	655,370
	13,099,225	23,916,738	603,230	10,668,419
	15,824,836	29,680,954	603,230	10,668,419

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

(b) Trade payables are non-interest bearing and the normal trade credit terms granted range from 30 to 60 days (2016: 30 to 90 days) from the date of invoice.

(c) Included in other payables of the Group is amount owing to a Director of RM14,206 (2016: RM13,563,068) which is unsecured, interest-free and payable upon demand in cash and cash equivalents.

(d) In previous financial year, amount owing to a subsidiary represented payments made on behalf, which was unsecured, interest-free and payable upon demand in cash and cash equivalents.

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

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Ringgit Malaysia	15,824,836	26,962,401	603,230	10,668,419
US Dollar	-	1,968,804	-	-
Chinese Renminbi	-	749,749	-	-
	15,824,836	29,680,954	603,230	10,668,419

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22. 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	
	2017 RM	2016 RM	2017 RM	2016 RM
Effects of 3% changes to RM against foreign currencies				
Profit after tax	-	67,810	-	-

(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.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2017		2016	
	Notional amounts RM	Liabilities RM	Notional amounts RM	Liabilities RM
Group				
Forward currency contracts	-	-	12,787,000	(766,621)

(a) Derivative financial instruments are classified as fair value through profit or loss and measured at fair value, which is under Level 1 of fair value hierarchy.

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

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24. 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	
	2017 RM	2016 RM	2017 RM	2016 RM
Not later than one (1) year	27,200	943,614	27,200	81,600
Later than one (1) year and not later than five (5) years	-	1,456,135	-	27,200
	27,200	2,399,749	27,200	108,800

25. REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Continuing operations				
Property development revenue	1,103,088	40,035,943	-	-
Construction contracts	3,944,969	-	-	-
Sale of land held for property development	-	20,000,000	-	-
Dividend income from subsidiaries	-	-	-	15,318,000
	5,048,057	60,035,943	-	15,318,000

(a) 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.

25. REVENUE (continued)

(b) Construction contract

Profits from contract works are recognised on a percentage of completion method. Percentage of completion is determined on the proportion of contract costs incurred for work performed to date against total estimated costs where the outcome of the project can be estimated reliably.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

Significant judgement is required in determining the stage of completion, the extent of the progress billings issued, the estimated total construction revenue and costs, as well as the recoverability of the construction projects revenue and determination of liquidated damages. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

(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.

26. COST OF SALES

	Group	
	2017	**2016**
	RM	**RM**
Continuing operations		
Property development	3,045,641	29,239,920
Construction contracts	3,770,166	-
Development land sold	-	19,434,090
	6,815,807	48,674,010

27. FINANCE COSTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Continuing operations				
Bank charges	1,972	1,573	717	273
Interest expense on:				
- hire purchase creditors	23,935	12,165	16,353	-
- term loans	428,188	83,720	-	-
	454,095	97,458	17,070	273

28. (LOSS)/PROFIT BEFORE TAX

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Continuing operations				
(Loss)/Profit before tax is arrived at after charging:				
Auditors' remuneration:				
- current year	67,200	63,600	31,600	28,600
- under provision in prior years	-	13,500	-	3,000
Depreciation of property, plant and equipment	205,804	91,470	153,372	24,456
Directors' remuneration:				
- Directors of the Company:				
- fees	220,000	200,000	220,000	200,000
- other emoluments	1,088,346	1,015,419	1,088,346	1,015,419
- Directors of a subsidiary:				
- fees	3,985	140,000	-	-
- other emoluments	-	376,081	-	-
Fair value adjustment on short term funds	10	3,781	10	3,781
Impairment losses on:				
- Investment in a subsidiary	-	-	13,698,277	-
- Investment in an associate	-	-	600,000	-
Loss on disposal of property, plant and equipment	20,919	-	-	-
Rental of premises	122,400	95,200	81,600	54,400
Rental of equipment	2,717	4,517	-	-
Rental of factory	13,000	-	-	-
Rental of hostel	-	9,600	-	-

28. (LOSS)/PROFIT BEFORE TAX (continued)

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Continuing operations (continued)				
And after crediting:				
Dividend income	-	-	-	15,318,000
Gain on revaluation of investment property	1,165,551	-	-	-
Interest income	33,984	26,410	32,176	26,254
Interest income received from:				
- advances to subsidiaries	-	-	582,546	1,252,095
- advances to an associate	27,779	-	27,779	-
Income distribution from short term funds	299	8,695	299	8,695

The estimated monetary value of benefits-in-kind not included in the above received by Directors of the Company was RM22,375 (2016: RM Nil) for the Group and the Company.

(a) Interest income

Interest income is recognised as it accrues, using the effective interest method.

29. TAX EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Continuing operations				
Current tax expense				
- Based on profit for the financial year	-	2,684,591	-	5,640
- (Over)/Under provision in prior years	(70,359)	175,982	(104)	649
	(70,359)	2,860,573	(104)	6,289
Deferred tax (Note 12)				
- Relating to origination and reversal of temporary differences	101,694	300,503	146,478	300,503
- Over provision in prior year	(216)	-	-	-
	101,478	300,503	146,478	300,503
Total taxation from continuing operations	31,119	3,161,076	146,374	306,792

Notes to the Financial Statements

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29. TAX EXPENSE (continued)

	Group 2017 RM	Group 2016 RM
Discontinued operation		
Current tax expense		
- Based on profit for the financial year	-	-
- Under provision in prior year	-	65,760
	-	65,760
Deferred tax (Note 12)		
- Relating to origination and reversal of temporary differences	-	(1,683,000)
- Under provision in prior years	209,000	1,013,000
	209,000	(670,000)
Total taxation from discontinuing operation (Note 30)	209,000	(604,240)

(a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated taxable profits for the fiscal year.

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

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
(Loss)/Profit before tax				
- continuing operations	(8,721,698)	5,868,074	(16,814,266)	14,007,344
- discontinued operation	(4,921,341)	(2,803,930)	-	-
	(13,643,039)	3,064,144	(16,814,266)	14,007,344
Taxation at Malaysian statutory rate of 24% (2016: 24%)	(3,274,330)	735,395	(4,035,424)	3,361,762
Expenses not deductible for tax purposes	2,785,948	1,858,644	4,328,502	622,437
Income not subject to tax	(492,669)	(1,293,631)	(146,600)	(3,678,056)
Deferred tax assets not recognised	1,082,745	1,686	-	-
	101,694	1,302,094	146,478	306,143
(Over)/Under provision in prior years				
- corporate tax	(70,359)	241,742	(104)	649
- deferred tax	208,784	1,013,000	-	-
Taxation	240,119	2,556,836	146,374	306,792

Notes to the Financial Statements

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30. DISCONTINUED OPERATION

As disclosed in Note 16 to the financial statements, following the disposal of FPT to FPI, the audio division is classified as discontinued operation. The audio division was not a discontinued operation or classified as held for sale as at 31 December 2016 and the comparative statements of profit or loss and other comprehensive income have been represented to show the discontinued operation separately from continuing operations.

(a) The following amounts have been included in arriving at loss before tax of the discontinued operation:

	Group	
	2017	**2016**
	RM	**RM**
Loss before tax is arrived at after charging:		
Auditors' remuneration		
- current year	29,000	32,000
- over provision in prior year	(3,000)	(4,000)
Bank charges	4,664	7,139
Depreciation of property, plant and equipment	397,955	482,405
Directors' emoluments other than fees	-	145,750
Fair value loss on derivative financial liabilities	-	776,559
Interest expenses on:		
- overdraft	-	40
- bank guarantee	4,056	2,969
- commitment fee	-	3,820
Inventories written down	805,034	-
Property, plant and equipment		
- impairment losses	929,155	-
- written off	-	1,170
Research and development costs	183,033	181,231
Rental of premises	816,534	208,670
Unrealised loss on foreign exchange	13,527	257,980
Realised loss on foreign exchange	594,957	-
And after crediting:		
Fair value gain on derivative financial liabilities	766,621	-
Gain on disposal of property, plant and equipment	-	874,622
Interest income	17,772	22,924
Income distribution from short term funds	410,716	349,533
Realised gain on foreign exchange	-	292,612
Unrealised gain on foreign exchange	78,738	187,603

Notes to the Financial Statements

31 December 2017

30. DISCONTINUED OPERATION (continued)

(b) The cash flows attributable to the discontinued operation are as follows:

	Group 2017 RM	Group 2016 RM
Net cash from/(used in) operating activities	7,354,826	(331,072)
Net cash from investing activities	252,036	1,871,558
Net cash used in financing activities	(23,310,010)	(15,318,040)
	(15,703,148)	(13,777,554)

31. DIVIDEND

	Group and Company 2017 Dividend per ordinary shares sen	2017 Amount of dividend RM	2016 Dividend per ordianry share sen	2016 Amount of Dividend RM
First and final single tier dividend in respect of financial year ended 31 December 2016	-	-	2.5	4,178,460

The Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2017.

32. (LOSS)/EARNINGS PER ORDINARY SHARE

(a) Basic (loss)/earnings per ordinary share

Basic earnings per ordinary share for the financial year is calculated by dividing the (loss)/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 2017	Group 2016
In RM		
(Loss)/Profit for the financial year attributable to equity holders of the parent		
- From continuing operations	(8,752,817)	2,706,998
- From discontinued operation	(5,130,341)	(2,199,690)
(Loss)/Profit attributable to equity holders of the parent	(13,883,158)	507,308
Weighted average number of ordinary shares outstanding (adjusted for treasury shares)	167,138,400	167,176,650

32. (LOSS)/EARNINGS PER ORDINARY SHARE (continued)

(a) Basic (loss)/earnings per ordinary share (continued)

	Group 2017	Group 2016
In sen		
(Loss)/Basic earnings per ordinary share		
- From continuing operations	(5.24)	1.62
- From discontinued operation	(3.07)	(1.32)
	(8.31)	0.30

(b) Diluted earnings per ordinary share

The diluted earnings per ordinary share equal basic earnings per ordinary share because there were no potential dilutive ordinary shares as at the end of the reporting period.

33. EMPLOYEE BENEFITS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries, wages and bonuses	2,309,459	2,400,613	1,778,973	1,440,582
Defined contribution plan	294,329	292,675	231,653	187,871
Other employee benefits	25,324	26,108	8,804	5,712
	2,629,112	2,719,396	2,019,430	1,634,165

Included in the employee benefits of the Group and of the Company are Directors' remuneration amounting to RM1,092,331 (2016: RM1,531,500) and RM1,088,346 (2016: RM1,015,419) respectively.

Notes to the Financial Statements

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34. 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 9 to the financial statements;

(ii) Associate as disclosed in Note 10 to the financial statements;

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

(iv) 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.

(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	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Related parties:				
Purchase of products	-	649,443	-	-
Rental paid	81,600	54,400	81,600	54,400
Sale of products	-	3,097,375	-	-
Associate				
Interest income	27,779	-	27,779	-
Sale of land	-	20,000,000	-	-
Subsidiaries:				
Gross dividends received	-	-	-	15,318,000
Interest income	-	-	582,546	1,252,095

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

Notes to the Financial Statements

31 December 2017

34. RELATED PARTY DISCLOSURES (continued)

(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 during the financial year was as follows:

	Group		Company	
Continuing operations	**2017 RM**	**2016 RM**	**2017 RM**	**2016 RM**
Short term employee benefits	978,185	1,393,139	974,200	920,639
Contribution to defined contribution plan	114,146	138,361	114,146	94,780
	1,092,331	1,531,500	1,088,346	1,015,419

35. CONTINGENT LIABILITIES

	Company	
	2017 RM	**2016 RM**
Corporate guarantees given to financial institutions for credit facilities granted to a subsidiary	13,495,943	11,103,247
Corporate guarantees given to financial institutions for credit facilities granted to an associate	4,215,100	-

The Group designates corporate guarantees given to financial institutions for credit facilities granted to a subsidiary and an associate as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Directors are of view that the chances of the financial institutions to call upon the guarantees are remote. Accordingly, the fair values of the above guarantees are negligible.

Notes to the Financial Statements

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36. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) 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 2017 and financial year ended 31 December 2016.

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	
	2017 RM	2016 RM	2017 RM	2016 RM
Short term funds	8,575	14,798,413	8,575	8,286
Cash and bank balances	12,059,898	12,627,189	8,173,264	3,936,781
	12,068,473	27,425,602	8,181,839	3,945,067
Less:				
Borrowings	(15,938,026)	(28,451,249)	(605,760)	-
Net (debts)/cash	(3,869,553)	(1,025,647)	7,576,079	3,945,067
Equity attributable to owners of the parent	99,765,169	113,648,327	97,587,872	114,548,512
Gearing ratio	3.9%	0.9%	*	*

* Gearing ratio is not presented as the Company is in net cash position as at 31 December 2016 and 31 December 2017

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 RM40.0 million. The Group has complied with this requirement for the financial year ended 31 December 2017.

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

36. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in interest rates and the unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors. Financial risk management is carried out through risk review programmes, internal control systems, insurance programmes and adherence to the Group financial risk management policies. The Group is exposed mainly to foreign currency risk, liquidity and cash flow risk, interest rate risk and credit risk. Information on the management of the related exposures is detailed below.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rate.

The Group and the Company are exposed to foreign currency risk on transactions that are denominated in currencies other than the functional currencies of the operating entities.

(ii) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

The Group is actively managing its operating cash flows to ensure all commitments and funding needs are met. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in market interest rates.

The primary interest rate risk of the Group and of the Company relates to interest-earning deposits and interest-bearing borrowings from financial institutions. The fixed-rate deposit and borrowings of the Group are not exposed to a risk of changes in their fair values due to changes in interest rates. The floating rate deposits and borrowings of the Group are exposed to a risk of change in cash flows due to changes in interest rates. The Group does not use derivative financial instruments to hedge its risk.

Notes to the Financial Statements

31 December 2017

36. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iv) Credit risk

Cash deposits and trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are reputable institutions and organisations. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk. The primary exposure of the Group to credit risk arises through its trade receivables.

At the end of each reporting period, the maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 6 December 2017, TE, a wholly-owned subsidiary of the Company had entered into a Joint Development Agreement with YPJ Builders Sdn. Bhd., whereby TE at present has committed to the development of 84 units of two and three storey shop offices on 19.328 acres of land held under Lot H.S.(D) 36608 PTD 2313 and H.S.(D) 36609 PTD 2314 located in Mukim Pantai Timur, District of Kota Tinggi, State of Johor.

(b) As disclosed in Note 16 to the financial statements, on 7 December 2017, the Company had entered into a Share Sale Agreement (“SSA”) with FPI in respect of the disposal of 9,990,000 ordinary shares representing 100% of issued and paid up capital of it’s subsidiary, FPT for a cash consideration of RM10,600,000.

(c) On 28 December 2017, wholly-owned subsidiary of the Company, TER had executed two (2) separate Memorandum of Understanding (“MOUs”) as follows:

(i) MOU between TER and Innocashz (M) Sdn. Bhd. for a proposed joint venture wherein TER plans to develop a 5-storey luxury hotel on 1.2 acres of leasehold land held under H.S.(D) 73497 PT 833 located in Kawasan Bandar XLI, District of Melaka Tengah, State of Melaka; and

(ii) MOU between TER and Goldsand JV Sdn. Bhd. for a proposed joint venture wherein TERSB plans to develop a block of affordable serviced apartment with approximately 152 units on 3.9 acres of leasehold land held under H.S.(M) 593 PT 11425 located in Mukim Krubong, District of Melaka Tengah, State of Melaka.

38. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 2 January 2018, the terms of the SSA entered into between the the Company and FPI in respect of the disposal of 9,990,000 ordinary shares which represent 100% of issued and paid up capital of FPT have been fully satisfied and that the proposed disposal has been completed on 2 January 2018. Thereafter, FPT and its subsidiary Aerotronic ceased to be wholly-owned subsidiaries of the Company.

Analysis of Shareholdings

as at 30 March 2018

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

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF SHARES	%
1 - 99	54	1.647	2,334	0.001
100 - 1,000	282	8.605	219,993	0.131
1,001 - 10,000	1,955	59.658	9,584,773	5.734
10,001 - 100,000	833	25.419	27,190,729	16.268
100,001 - 8,356,919 (*)	152	4.638	104,369,475	62.444
8,356,920 AND ABOVE (**)	1	0.030	25,771,096	15.419
TOTAL :	3,277	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	4,545,956	2.720	28,468,186	17.033

DIRECTORS INTEREST

NAME	DIRECT NO. OF SHARES	%*	INDIRECT NO. OF SHARES	%*
Leong Ngai Seng	4,545,956	2.720	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	-	-	-	-
Koh Boon Huat	-	-	-	-

* Excluding treasury shares

List of Top 30 Shareholders

as at 30 March 2018

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	5,862,700	3.507
4	CHEN PO HSIUNG	4,200,000	2.512
5	LEE BOON LENG	3,846,154	2.301
6	LEE HONG PENG	3,200,000	1.914
7	ADSCORE SDN.BHD.	2,697,090	1.613
8	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEONG NGAI SENG	2,505,956	1.499
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	LEONG NGAI SENG	2,040,000	1.220
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 SAM TEK YANG	1,620,000	0.969
16	CHENG LING MU	1,575,400	0.942
17	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HSU TONG KEY	1,567,000	0.937
18	ONG LING TING	1,540,000	0.921
19	CHUA ENG GUAN	1,538,462	0.920
20	C.L.P.INDUSTRIES SDN BHD	1,478,000	0.884
21	KUMAR A/L ELLAYA	1,428,000	0.854
22	CHUA ENG GUAN	1,408,500	0.842
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	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN WEI DE	1,114,000	0.666
27	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN YAN TEN (MY2380)	1,072,200	0.641
28	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA ENG GUAN	1,038,600	0.621
29	CHANG, KEI-POI	1,000,000	0.598
30	LILY OH	1,000,000	0.598
	TOTAL	89,569,220	53.589

List of Properties

as at 31 December 2017

	Location	Description	Tenure	Valuation/ Acquisition/ Completion Date	Approximate Site Area (Acres)	Carrying Amount RM	Existing Use
JMC	Lot 2668 Geran 101544, Mukim Plentong, Johor Bahru	Development Land	Freehold	20 July 2015 (Valuation)	13.169		Vacant
	Lot 2667 Geran 101543, Mukim Plentong, Johor Bahru	Development Land	Freehold	20 July 2015 (Valuation)	14.494		Vacant
	Lot 409 Geran Mukim 1171, Mukim Plentong, Johor Bahru	Development Land	Freehold	20 July 2015 (Valuation)	4.656		Vacant
	Lot 408 Geran Mukim 1170, Mukim Plentong, Johor Bahru	Development Land	Freehold	20 July 2015 (Valuation)	5.625		Vacant
Total					37.944	33,232,415	

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 Nineteenth Annual General Meeting of the Company to be held at **Berjaya Waterfront Hotel, 88 Jalan Ibrahim Sultan, Stulang Laut, 80300 Johor Bahru, Johor Darul Takzim** on **Monday, 28 May 2018** at **2.00pm** 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		
Resolution 8		

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 any persons as his proxy 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 21 May 2018 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.*

please fold along this line (1)

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