AcousTECH

Acoustech Berhad

(Company No. 496665-W)

A NEW HOPE

annual report 2018

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twentieth 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 Wednesday, 12 June 2019 at 2.00 p.m. for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 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 RM220,000 in respect of the financial year ended 31 December 2018. [2017: RM220,000] **Resolution 1**

3. To approve payment of Directors' benefits of up to RM300,000 for the financial period from 1 July 2019 to 30 June 2020. **Resolution 2**

4. To re-elect Ong Li Tak, a Director retiring in accordance with Clause 105(1) of the Constitution of the Company. **Resolution 3**

5. To re-elect Leong Ngai Seng, a Director retiring in accordance with Clause 105(1) of the Constitution of the Company. **Resolution 4**

6. To re-appoint BDO PLT 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."

By Order of the Board

LIM HOOI MOOI (MAICSA 0799764)
WONG WAI FOONG (MAICSA 7001358)
LAU YEN HOON (MAICSA 7061368)
Joint Company Secretaries

Kuala Lumpur
29 April 2019

Notice of Annual General Meeting

NOTES

1. Appointment of Proxy

- A Member of the Company who is entitled to attend and vote at this meeting is entitled to appoint proxy(ies) to attend and vote instead of him. A proxy may, but need not, be a member of the Company. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

- 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 Securities Industry (Central Depositories) Act, 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

- Where a Member or 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. The appointment of two (2) or more proxies shall not be valid unless he specifies the proportions of his holdings to be represented by each proxy.

- 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 31 May 2019 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.

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 2020. 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 2019 until the conclusion of the Company's next Annual General Meeting in 2020.

Notice of Annual General Meeting

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.

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
Executive Chairman

Ong Li Tak
Managing Director

Soon Kwai Choy
Independent Non-Executive Director

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

Koh Boon Huat
Independent Non-Executive Director

AUDIT COMMITTEE

Soon Kwai Choy (Chairman)
Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi
Koh Boon Huat

NOMINATION COMMITTEE

Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi (Chairman)
Koh Boon Huat
Soon Kwai Choy

REMUNERATION COMMITTEE

Koh Boon Huat (Chairman)
Soon Kwai Choy
Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi

COMPANY SECRETARIES

Lim Hooi Mooi (MAICSA 0799764)
Wong Wai Foong (MAICSA 7001358)
Lau Yen Hoon (MAICSA 7061368)

AUDITORS

BDO PLT (LLP0018825-LCA & AF 0206)
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

L2-01, No. 56, Jalan Setia Tropika 1/14,
Taman Setia Tropika,
81200 Johor Bahru, Johor

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

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

100%
TERAS ECO SDN. BHD.
(COMPANY NO. 962784-H)

100%
JM CEMERLANG SDN. BHD.
(COMPANY NO. 1054915-X)

100%
TERAS ECO RESOURCES SDN. BHD.
(COMPANY NO. 1183689-K)

100%
T THREE BUILDER SDN. BHD.
(COMPANY NO.1299927-K)
incorporated on 17 october 2018

30%
HARUM ECO DORMITORY SDN. BHD.
(COMPANY NO. 1201878-X)

Management Discussion and Analysis

DEAR VALUED SHAREHOLDERS

The past financial year has been challenging on the domestic and international front. The ongoing trade war tensions between China and the US, rising geopolitical hostility in the Middle East which negatively impacted global oil prices, severe forex fluctuations and fears of a repeat of a global financial crisis combined to stoke markets and investment sentiments for the greater part of 2018. As a highly open economy, our nation was susceptible to substantial risks relating to such uncertainties in the external environment.

Locally, cancellation of large infrastructure projects and dimmer trade and export prospects were also among factors which contributed to a subdued Malaysian economy.

With private and public sector growth remaining moderate, sentiments within the property sector, especially the residential sector, continued to be affected by an unprecedented overhang as a result of frenzied development project launches over the past 2-3 years resulting in many units unsold.

Moving forward, although local political uncertainty due to a change in the federal government and some state governments have since subsided with the possibility of a hard landing that global markets feared diminished considerably, our Group remains cautiously optimistic of the overall economy and the Group's business and prospects in 2019.

Against this backdrop of a subdued past financial year, post-disposal of our lost making manufacturing business in January 2018, the Group has since focused entirely on the property development business. Against the revenue of 2017, the Group managed to achieve a substantial increase in revenues and improvement in the Group's post tax result. On a consolidated basis, the Group registered a revenue of RM36.1 million with a loss after tax of RM7.6 million as compared to a loss of RM13.9 million in the preceding year.

FINANCIAL HIGHLIGHTS

Our property business was the only profit contributing segment for the financial year subsequent to the disposal of the audio segment. In the preceding year, the audio segment posted revenue of RM41.6 million with a corresponding loss before tax of RM4.9 million. The Group avoided similar losses from the loss-making segment after its disposal in January 2018. Although Group revenue on a consolidated basis fell from RM46.7 million in preceding year to RM36.1 million for the financial year under review, loss after tax at Group level improved from RM13.9 million in 2017 to RM7.6 million in 2018. The lower than expected revenue for 2018 was due to the soft-property market and to avoid the situation of too many unsold units, we cautiously and intentionally launched smaller phases of our developments during the financial year. We do expect to rapidly launch further phases once there is evidence of a strong recovery in the property market.

Loss before tax for the Group stands at RM7.2 million where the property development and construction division contributed to a loss before tax of RM1.3 million which included a RM1.0 million provision for impairment of recoverable deposit placed with PIJ Property Development Sdn. Bhd. in connection to a proposed collaboration on development in Tanjung Sepang, Kota Tinggi, Johor. The division's result marked an improvement against the loss before tax of RM4.7 million reported in the preceding year. The remaining losses was attributed to the investment holding division which posted a RM5.9 million loss before tax, higher compared to the loss before tax of RM4.0 million posted in the preceding year. The loss in the current year included provision for impairment of goodwill amounting to RM2.0 million and impairment on amounts due from associate Harum Eco Dormitory Sdn. Bhd. amounting to RM1.3 million. All the provisions for impairment have been recognised as a matter of financial prudence and in line with the requirements of Malaysian Financial Reporting Standards (MFRS) 9: Financial Instruments.

Management Discussion and Analysis

FINANCIAL CONDITION

Total assets

The Group's total asset contracted marginally from RM140.2 million in the preceding year to RM135.1 million as at end of the financial year under review while total liabilities also decreased from RM40.5 million as at end of preceding year to RM32.5 million as at 31 December 2018. Total equity rose by RM2.8 million from RM99.8 million in the preceding year to RM102.6 million as at end of 2018 owing to the loss after tax for the year of RM7.6 million, effects of MFRS 9 amounting to RM1.0 million, private placement exercise involving a single placement for amount of RM1.5 million and the effects of the partial settlement of consideration for Development Rights Agreement ("DRA") between subsidiary Teras Eco Sdn. Bhd. and Jaya Mapan Sdn. Bhd. by way of transfer of 10,571,160 Treasury Shares at value equivalent to RM4.5 million and issuance of 12,428,840 new ordinary shares of the Company amounting to RM5.3 million. Net asset per share as at 31 December 2018 stood at 53 sen per share.

Receivables

Compared to the preceding year, Group's trade and other receivables declined marginally from RM33.0 million to RM32.7 million as at end of the year under review. The total of RM32.7 million in receivables is segregated into 3 lined items on the face of the Balance Sheet of the year under review in compliance to reporting standards wherein RM3.3 million of other receivables is treated as non-current asset, whereas under current assets, RM3.7 million is classified as contract assets and the balance of RM25.7 million is classified as trade and other receivables. The amount included advances owing by an associate amounting to RM3.3 million, net of a RM1.3 million provision for impairment made under the requirements of MFRS 9.

Loans

The Group's total borrowings stood at RM13.5 million as at end of 2018, lower from RM15.9 million at the end of 2017. The reduction of RM2.4 million was mainly due to full settlement of the bridging loan relating to Senibong 88 project in Permas Jaya vide redemption sums paid for units sold. The balance of reduction was in respect of bridging loan redemption paid in connection to Phase 1 of Desa 88 development project in Plentong, Johor Bahru. The total outstanding borrowings as at 31 December 2018 is in respect of the Desa 88 project. Against equity, Group's gearing remained low which allows for further borrowings, if and when required, for funding new developments projects and/or land acquisitions.

Cash Position

The Group's cash position as at end of 2018 stood at RM5.0 million, lower in comparison to the preceding year end balance of RM12.1 million. The utilisation of funds was primarily in connection with the acquisition of the development rights and interest in the proposed block of 44-storey serviced apartments (Block C) in Melaka. Lower surplus cash is expected in line with the Group's plans to increase its land bank for new development projects. The Group will remain prudent with the cash position and may undertake fund raising exercises in the near future to fund further development projects when the need arises.

Creditors

The amounts outstanding under trade and other creditors increased to RM18.4 million as at 31 December 2018 from RM15.8 million at end of the preceding year. The RM18.4 million as of close of year under review included RM4.8 million classified as contract liabilities. The increase is attributed to the commencement of Phase 1 factories' development at Desa 88 as well as the tail end construction of the 5 blocks of hostels comprising 240 units for associate Harum Eco Dormitory Sdn. Bhd.. Against total liabilities, hire purchase commitments remained minimal during the year. Group contingent liabilities are as stated in Note 34 of the Financial Statements which consists of a Corporate Guarantee and a Proportionate Corporate Guarantee issued to two financial institutions for credit facilities granted to subsidiary JM Cemerlang Sdn. Bhd. for Desa 88 project and to the associate for the said hostel development. The contingent liabilities are requirement of the banking facilities and serve only as additional security over and above the existing charge on the land and properties erected thereon. As such, the Board considers the risk of a call on the guarantees as low.

FUTURE PROSPECTS AND RISKS

As a full-fledged property development outfit, the Group is now exposed to the risks and challenges of the development and construction industry. Any prolonged economic slowdown will severely affect the industry and by extension, our financial performance in the coming year. The foreseeable challenges the Group will face includes identifying cost-competitive development land, securing joint-venture partners, determining the type of development mix, pricing, timing of new launches, provision of demand driven infrastructure and crucially, ensuring affordability of all the developments the Group eventually launches. Management will have to consistently undertake extensive analysis of costing and marketability of each product that the Group launches in order to maximise the Group's resources. We are pleased that the Group is backed by an experienced Board and management with exposure in the property industry to assist in the evaluation of prospective projects.

12 Month Milestone

For the past 12 months, the Group managed to solidify its footing in Melaka when our flagship subsidiary Teras Eco Sdn. Bhd. ("TEBS") inked the DRA with Melaka-based developer Jaya Mapan Sdn. Bhd. for the acquisition of the development rights and interest in a block of proposed 44-storey serviced apartments (Block C) within an existing mixed development project located in the prime district of Melaka Tengah, Melaka. The proposed residential tower was acquired with completed substructure including all of the parking floors and enclaved in a mix development comprised of two blocks of service apartments, a hotel, shops and retail units. Construction of superstructure is anticipated to commence as early as the 4th Quarter of 2019. The completed substructure allows TESB the benefit of a longer construction time for the superstructure, thereby reducing the possibility and risk of Liquidated Ascertained Damages (LAD) payout. With the completion of the RM18 million transaction in December 2018, the Group has positioned itself to generate a Gross Development Value (GDV) of RM127 million for the project. Taking into consideration the development cost involved including the RM18 million consideration of the development rights and interest, the project is expected to have a Gross Development Profit (GDP) of approximately RM48 million.

In December 2018, the Group completed the construction of the integrated workers dormitory consisting 240 hostel units in 5 dormitory blocks situated in Permas, Johor. The construction contract generated revenue of RM25.1 million for the year (2017: RM3.9 million). The completed dormitories have been tenanted by Harum Megah Resources Sdn. Bhd. since March 2019 with annual rental of RM3.6 million. The dormitories represent the Group's first development project for use as dwelling for foreign workers compliant to Government's regulations and expected to generate recurrent income to the Group.

Management Discussion and Analysis

The Group's development of Phase 1 terrace factories in Desa 88, Plentong, Johor took off during the year and is expected to be completed before end of 2019. The project generated RM5.1 million revenue for the financial year with stage of completion now at 26.7%. Phase 1 factories will post an estimated GDV of RM40.3 million and GDP of RM13.6 million. The take up rate for Phase 1 has been very encouraging due to the sub-RM1 million selling price per unit, its location and the established infrastructure in the vicinity. There are currently four (4) remaining phases to be launched and expected to comprise factory units and workers dormitory with a combined GDV of RM139.0 million and GDP of RM35.8 million. Phase 2 will comprise 34 units of terrace factories with a GDV and GDP of RM48.2 million and RM19.9 million respectively. Barring unforeseen circumstances, we target to launch Phase 2 in the third quarter of 2019.

The Group's development project comprising 84 units of 2 and 3 storey shop offices on a 19.3-acre land in the District of Kota Tinggi, State of Johor has been delayed due to regulatory and administrative circumstances. The project's application for Development Order was granted conditional approval in April 2018. The proposed development project has a GDV and GDP of RM104.4 million and RM41.8 million respectively.

In respect of the Group's proposed venture with two (2) other Melaka-based land owners for development of a hotel and residential units in Bandar Kota Laksamana and Mukim Krubong respectively, trailing from two (2) separate Memorandum of Understanding ("MOUs") entered in December 2017, negotiation of the terms of the joint ventures are at advanced stage. The Board is optimistic the two projects are capable of generating decent revenues and profits for the next few years that enhances the Group's shareholders' funds.

Amidst a weak economy and cautious spending habits among property buyers and investors, the Board remains careful in deciding on the timing of new launches as well as in acquisition of new land banks or in entering into joint ventures.

COMPLEMENTARY INFORMATION TO FINANCIALS

The acquisition of the rights and interest in the proposed block of 44-storey serviced apartments in District of Melaka Tengah marked the Group's entry into high rise development segment. Nestled in a prime location within a stone throw from the historical sites and concentration of bustling tourist activities, the Board is upbeat in undertaking the development. Given that the project is a component of a mixed development which includes common facilities and infrastructure and retail spaces undertaken by the vendor, the Group stands to benefit from the synergy presented by the other components. The Board is optimistic the amenities and commercial activities will contribute towards the sales of the serviced apartments.

Management Discussion and Analysis

EXPECTATIONS FOR 2019

Whilst the country's economy is presently on the mend, uncertainty of a complete recovery lingers and confidence of foreign investors remains weak. In 2018, Malaysia's gross domestic product (GDP) grew at a moderate rate of 4.7%, significantly lower than the 5.4% growth initially forecasted by Malaysian Institute of Economic Research (MIER). For 2019, based on Bank Negara's latest projection, GDP growth is expected to be between 4.3% and 4.8%. This projection is a more cautious forecast compared to the 4.9% GDP growth estimated by the Finance Ministry during the tabling of 2019 National Budget in November 2018. The central bank has opined that the global economy has entered a period of moderating growth with continued volatility in the financial market. Nevertheless, its forecast is premised on three factors: resilient private-sector spending, recovery in commodity sectors and continued external demand from major trading partners.

The situation of unsold property overhang in the country remains unsorted as take up rate continues to be low. The challenge has spurred the Government and central bank to engage in talks during 2018 to relax housing loan guidelines for first-time house buyers, primarily in the low-income and middle-income groups. Reputable international rating agencies has raised the alarm that such a move could pose a risk as loans for residential segment account for over 30% of the domestic banking industry's gross loans. This is magnified by the fact that Malaysia is classified as a high risk country in the Asia-Pacific region, where the market has witnessed steep increases in residential property prices in the past eight years, suggesting a real and imminent risk of a property bubble.

Despite the sentiments, the Board is confident to manage its current residential development portfolio in Melaka by carefully timing the eventual launch. Given the low entry cost of RM18 million, which was settled vide a combination of issuance of new ordinary shares of the Company, transfer of Treasury Shares held by the Group and internally generated funds, the Group has avoided any interest costs risks associated with borrowings from financial institutions.

For 2019, there are positive indications from valuers and property market research houses on growing demand for industrial properties with high specifications. This will bode well for our current developments which are "commdustrial" centric, ie. our developments are principally built on the hybrid concept where the buildings are suitable for commerce and/or industrial usage in nature.

The Board recognises increasing expectations of purchasers of industrial properties, including facilities such as gated and guarded concept, high-end security features within an industrial park, fibre optics broadband connection and retail spaces that complement the welfare of workers and sustainability of industrial parks. With a track record and expertise in this property type, the Board is confident the Group will benefit from such positive market sentiments by embracing changes in technology, particularly the Desa 88 project in Plentong, Johor.

For 2019, the Group will focus on three core projects, namely the completion and the launch of Phase 1 and Phase 2 factories, respectively, at Desa 88, Plentong and the launch of shop offices at Pengerang. The Board is hopeful to undertake new investment initiatives to increase the Group's revenue and bottom line and also to enter viable joint ventures to increase the Group's landbank. Management will continue to actively secure new development projects either through collaborations, acquisitions or joint ventures.

SIGNIFICANT MATTERS

Upon completion of the disposal of our manufacturing unit, our Group has eliminated manufacturing unit losses and its associated risks and transited to become a full-fledged property development group. The Group has demonstrated an improvement in the income statement for the year under review with a lower loss for the year at RM7.6 million as compared to RM13.9 million in the preceding year. In addition, the completion of the DRA in December 2018 anchored the Group as a developer in the state of Melaka, after positioning itself in Johor. The acquisition marked a new chapter for the Group moving forward with greater focus on property development and construction. Also enhancing the track record of the Group is the completion of the construction of dormitories, the very first for the Group, within the target completion timeframe. In line with the Group's aspiration to expand into construction, the achievement placed the Group on the track towards more significant construction contracts in the future.

In preparing the Group for increased property related activities, a new wholly-owned subsidiary, T Three Builder Sdn. Bhd. was incorporated on 17 October 2018. We intend to source for construction projects which are synergistic and complementary to our development projects.

To spearhead the Group's property development initiatives, Mr. Ong Li Tak was re-designated as the Group Managing Director effective from 17 April 2019 while Mr. Koh Boon Huat assumed the position as Chairman of the Remuneration Committee on 19 November 2018. We anticipate the newly reconstituted Board to be more effective in helping the Group achieve better financial performance and results.

Lastly, our gratitude to our valued shareholders, customers, bankers and suppliers for your continued support during the past financial year. We look forward to a better year ahead.

Profile of Directors

Leong Ngai Seng
Executive Chairman

Malaysian, male, aged 47, 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 2.34% and is deemed interested in 28,468,186 ordinary shares or 14.64% 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 2018. 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
Managing Director

Malaysian, male, aged 42, Managing Director, was appointed to the Board of Acoustech Berhad on 19 February 2016 as an Executive Director. He has since re-designated as the Managing Director of the Company on 17 April 2019. 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.

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 any penalty by any regulatory bodies during the financial year 2018.

Profile of Directors

Soon Kwai Choy
Independent Non-Executive Director

Malaysian, male, aged 68, 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 and Remuneration Committee. Mr. Soon holds directly 400,000 ordinary shares or 0.21% interest in the Company and is deemed interested in 610,000 ordinary shares or 0.31% 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 any penalty by any regulatory bodies during the financial year 2018.

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

Malaysian, male, aged 36, 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 Remuneration Committee and the Chairman of the Nomination 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 any penalty by any regulatory bodies during the financial year 2018.

En. Ahmad Rahizal is also an Independent Non-Executive Director and the 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, male, aged 64, Independent Non-Executive Director, was appointed to the Board of Acoustech 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 the position of 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 and the Chairman of the Remuneration 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 any penalty by any regulatory bodies during the financial year 2018.

Profile of Key Senior Management

Tee Kuan Hong

Malaysian, male, aged 35, 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 34, 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.

Profile of Key Senior Management

Goh Say Jauw

Malaysian, male, aged 46, holds a Degree in Business Administration with a major in Cost Accounting from Western Michigan University, USA. He is our current Assistant General Manager, Finance & Corporate Affairs. Mr. Goh joined the Group in 2016 and has been primarily responsible for group financial reporting, project financial projections, budgetary controls and a role in the Group's corporate exercises.

He has more than 20 years of experience in group financial reporting, financial management and corporate exercises having served several established public listed companies and a conglomerate. Mr. Goh started his career as Trainee Accounts Executive at Ipmuda Berhad in 1996, a public listed company primarily involved in trading of building materials, where he was in charge of entity financial reporting and Group treasury function which also covered group banking facilities. In 1998, he was redesignated as Executive, Accounts and Finance. Subsequently, in year 2000, Mr. Goh joined Muda Holdings Berhad, a public listed group of companies that manufacture industrial paper and corrugated boxes, where he held the position of Financial Analyst and was responsible for group financial reporting, compliance to reporting standards, group budgeting and financial analysis. He was later promoted as Senior Financial Analyst.

In early 2006, Mr. Goh assume his new position as Assistant Manager – Group Accounts at the Head Office of DRB-Hicom Berhad, a local conglomerate with interest in automotive, property development, services, defence vehicles and banking, where he was also responsible for group financial reporting and was instrumental in the implementation of the Group's first-time adoption of the then Financial Reporting Standards ("FRSs"). Subsequently, in 2008, Mr. Goh joined Naza TTDI Sdn. Bhd., an established group of companies involved in property development, as Assistant Manager, Finance. During his 7-year tenure with Naza TTDI, he served as a member of the due diligence working group for the Group's listing exercise, spear-headed the Group's first-time adoption of FRSs and anchored group financial reporting. He was also responsible for land acquisitions financing and project financing including syndicated loans and loan restructuring, project feasibilities and projections. Before he left Naza TTDI, Mr. Goh was holding the position of Senior Manager, Finance. Prior to joining Acoustech Berhad in 2016, Mr. Goh served EN Capital Sdn. Bhd., a group of companies with interest in property development and media, where he was involved in project financing and group financial reporting. EN Capital held interest in several investment properties and development land in Klang Valley and operated Bloomberg TV Malaysia.

Mr. Goh 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 2018.

Chairman

Soon Kwai Choy
Independent Non-Executive Director

Members

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

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 in 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 are 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 five (5) 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 five (5) times during the financial year end 31 December 2018. Details of attendance are as follows:

Name of Committee Member	Attendance
Soon Kwai Choy	5/5
Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi	5/5
Koh Boon Huat *(Appointed on 19 February 2018)*	4/5

EXTERNAL AUDIT

(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 (without the presence of the management) 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

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:

Subsidiary/ Associate of the Group	Work Performed/ Areas of Review
Teras Eco Sdn. Bhd. and JM Cemerlang Sdn. Bhd.	- Banking systems - Borrowings - Related party transactions - Intercompany transactions - Payroll - Profit recognition - Development expenditure capitalised - Review of Joint Venture agreements
Teras Eco Resources Sdn. Bhd.	- Related party transactions - Intercompany transactions - Review of Joint Venture agreements
Harum Eco Dormitory Sdn. Bhd.	- Borrowings - Related party transactions - Intercompany transactions

The cost of internal audit was RM65,000 during the financial year ended 31 December 2018.

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 Report which disclosed the application of each Principle set out in the MCCG during the financial year 2018 is available on the Company's website www.acoustech.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Leadership

Board 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

The role of the Managing Director differs from that of the Chairman of the Board. This complies to the best practice recommended under the MCCG. The Chairman is also the representative of the largest shareholder. In this respect there is assurance of shareholder leadership at the Board level. The Board ensures that a balance of power is retained without the Board being dominated by the Chairman. The Independent Non-Executive Directors provide independent judgment and check and balance on the Board.

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 ensures 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, amongst others, the audit plan and audit report of external auditors, adequacy of system of internal controls and 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.

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, one (1) Managing Director and one (1) Executive Director.

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

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 2018, six (6) meetings were held in which the Board deliberated upon and considered various issues including the Groups' financial results, annual budgets, performance of the Group's business, major investment, business plan and policies and strategic issues affecting the Group's business.

Details of attendance of the Directors at Board meetings held during the financial year are as follows:

	Total Number of Meetings	**Number of Meetings Attended**
Leong Ngai Seng	6	6
Ong Li Tak	6	6
Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi	6	6
Soon Kwai Choy	6	6
Koh Boon Huat *(Appointed on 19 February 2018)*	5	5

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	5/5
Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi	Member	5/5
Koh Boon Huat *(Appointed on 19 February 2018)*	Member	4/5

b) Nomination Committee

Name of Committee Members	Designation	No. of Meetings Attended/ No. of Meetings Held
Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi	Chairman	2/2
Soon Kwai Choy	Member	2/2
Koh Boon Huat *(Appointed on 19 February 2018)*	Member	1/1

c) Remuneration Committee

Name of Committee Members	Designation	No. of Meetings Attended/ No. of Meetings Held
Koh Boon Huat *(Appointed on 19 November 2018)*	Chairman	1/1
Soon Kwai Choy	Member	1/1
Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi *(Re-designated on 19 November 2018)*	Member	1/1
Ong Li Tak *(Resigned on 19 November 2018)*	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 (based on the criteria set out in the Listing Requirements) for the Independent Non-Executive Directors for the Group is conducted annually and incorporated in the questionnaires tailored for Independent Non-Executive Director.

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 has tabled the proposal to retain an Independent Director whose term has exceed 12 years for shareholders' approval through the two-tier voting process in the Company's Annual General Meeting ("AGM") 2018 and will table the proposal annually at the AGM 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. The Board has yet to adopt any formal boardroom diversity policy in the selection of new Board candidates and currently does not have specific policies on setting target for female candidates in the Group. 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 Amb Dato' Ahmad Rasidi (Chairman)	-	Senior Independent Non-Executive Director
Soon Kwai Choy (Member)	-	Independent Non-Executive Director
Koh Boon Huat (Member)	-	Independent Non-Executive Director *(Appointed on 19 February 2018)*

During the financial year under review, the Committee met twice to conduct the annual review on the Directors' core competencies, contribution, effectiveness, conducted a review on the independence of the independent directors, deliberated on the composition of the Board and Board Committees, deliberated on and recommended the re-election/re-appointment of Directors at AGM and reviewed the proposal for the appointment of a new Director and recommended the appointment to the Board .

The MCCG recommends that the Chair of the Nomination Committee should be the Senior Independent Director identified by the Board. En. Rahizal Bin Amb Dato' Ahmad Rasidi, who is the Chairman of the Nomination Committee and a member of the Audit and Risk Management Committee and Remuneration Committee, is the Senior Independent Non-Executive Director of the Company. 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 Secretary and where necessary, obtain independent professional advise at the Group's expense.

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 2018, the Board has concluded that the Board as a whole and its Committees function effectively. The Board is satisfied that each Director continues to contribute to the Board effectively, is well prepared and with knowledge of matters considered by the Board, has good insight of the Group's operations and financial matters. They remain committed to their responsibilities as Board members.
ii. The Directors are of opinion that Board meetings are convened with open and constructive communication, 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 retirement by rotation at each AGM provided always that Directors shall retire from office at least once every three (3) years. 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' Training

During the financial year ended 31 December 2018, 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.

Directors	Training attended	Date
Leong Ngai Seng	Update on MFRS 9: Financial Instruments, MFRS 15: Revenue from Contract with Customers and MFRS 16: Leases	5 June 2018
Ong Li Tak	Update on MFRS 9: Financial Instruments, MFRS 15: Revenue from Contract with Customers and MFRS 16: Leases	5 June 2018
Soon Kwai Choy	Update on MFRS 9: Financial Instruments, MFRS 15: Revenue from Contract with Customers and MFRS 16: Leases	5 June 2018
Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi	Update on MFRS 9: Financial Instruments, MFRS 15: Revenue from Contract with Customers and MFRS 16: Leases	5 June 2018
Koh Boon Huat *(Appointed 19 February 2018)*	Mandatory Accreditation Programme Update on MFRS 9: Financial Instruments, MFRS 15: Revenue from Contract with Customers and MFRS 16: Leases	23 - 24 July 2018 5 June 2018

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:

Koh Boon Huat (Chairman) *(Appointed on 19 November 2018)*	-	*Independent Non-Executive Director*
Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi (Member)	-	*Senior Independent Non-Executive Director*
Soon Kwai Choy (Member)	-	*Independent Non-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 2018, 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	417	-	60	-	24	501
2. Ong Li Tak	363	40	40	-	24	467
Non-Executive Director						
1. Soon Kwai Choy	-	-	40	44	-	84
2. Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi		-	40	38	-	78
3. Koh Boon Huat	-	-	40	28	-	68

Corporate Governance Statement

Sustainability

Sustainability is encouraged within the Group's corporate culture. The Sustainability Statement of the Group for the reporting period January 2018 to December 2018 set out on page 33 of this Annual Report and explains the Group's practices, ideas and activities carried.

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 18 of the Annual Report.

Relationship with the External Auditors

The external auditors, BDO PLT 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 29 to 32 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 17 to 19 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 Securities Berhad 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 Securities Berhad's 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 conflict of interests with the Company.

Utilisation of Proceeds
During the year, 16,713,840 new ordinary shares were issued and allotted pursuant to the following:

(i) 4,285,000 shares pursuant to a Private Placement exercise at 35 sen per ordinary share for cash; and
(ii) 12,428,840 shares pursuant to a Direct Business Transaction at 43 sen per ordinary share to satisfy part of the purchase consideration for the acquisition of the development rights and interest in a block of 44-storey service apartments.

Save for the above, 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
During the year, the sum of RM25,080 was paid to BDO PLT to financial impact assessment and training in relation to MFRS 9: Financial Instruments, MFRS 15: Revenue from Contract with Customers and MFRS 16: Leases.

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 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 33 to the financial statements.

Contracts Relating to Loans
There was no contract relating to loans by the Company.

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 2018, which has been prepared pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. This statement outlines the nature and state of internal control of the Group (comprising the Company and its subsidiaries) during the financial year.

BOARD'S RESPONSIBILITY

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

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

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

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

RISK POLICY

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

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

Our risk management objectives are to:

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

Statement of Risk Management and Internal Control

These objectives will be achieved by:

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

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

RISK MANAGEMENT FRAMEWORK

Its key elements:

Risk Governance

- **The Board of Directors (BOD)**

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

- **Board Audit and Risk Management 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.

- **Executive Chairman**

  The Executive Chairman 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.

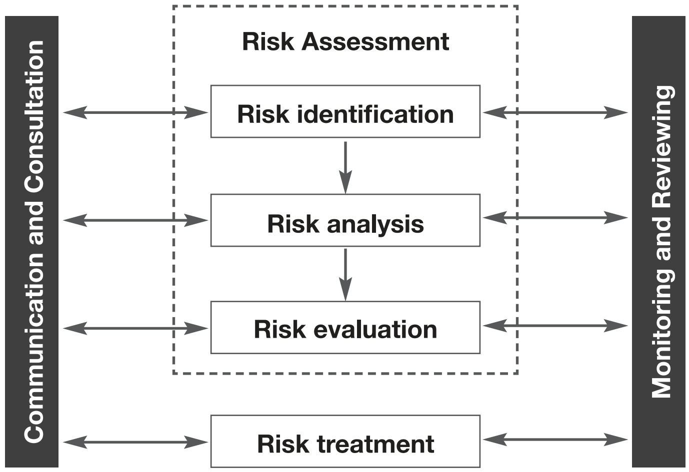
Statement of Risk Management and Internal Control

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 issue a Letter of Assurance addressed to BAC & BOD on an annual basis in the month of February of each year covering the CSA carried out by the division/operating/business units respectively.

Monitoring and Review

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

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

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

Statement of Risk Management and Internal Control

INTERNAL CONTROL FUNCTION

Key Processes

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

1. The management structure is well defined, with clear lines of authority and responsibility.
2. The Board continually assesses business performance and evaluates operation controls at all levels, and where necessary takes appropriate remedial action.
3. The Executive Chairman regularly updates the Board on industry trends, key customers and performance of various units within the Group, and the Board endorses responses taken.
4. Financial results are reviewed quarterly by the BAC and the Board and compared to budgets and forecasts.
5. Executive Directors and Heads of Departments meet regularly to discuss operational, management issues, financial performance and indicators focusing on the evaluation of applicable risks.
6. Accounting procedures are communicated to staff at all levels.
7. The Group's Internal Audit Unit (IAU) which reports to the BAC performs regular reviews to assess the effectiveness of internal controls and to identify significant risks. The internal audit control assessment excludes the associate.
8. The BAC reviews actions taken on internal control issues raised by the IAU and external auditors including the audit plans and ensures sufficient cooperation is rendered by employees in carrying out the plans.
9. Formal recruitment, training and development, and performance appraisals are in place to ensure and maintain the professionalism and competency of staff. The resources of the internal audit function and the necessary authority required by IAU officers to carry out their work are also kept in check to ensure smooth running.
10. The BAC reviews the Recurrent Related Party Transactions, if any, undertaken by the Group at least twice a year.
11. 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 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 RM65,000 during the financial year.

The Board has received assurance from the Executive Chairman 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

The future success of the Group will depend on the sustainability of its business and the ability of the Group to anticipate and overcome the various foreseeable risks and challenges. The following has been identified by the management as being key areas:-

Core areas

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

(a) Economic
(b) Environmental

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

(A) Economic

Key Areas	Risks	Action Plans
Targeted completion date and obtaining Certificate of Completion and Compliance on schedule.	Poor monitoring of project to ensure timely delivery and contractor not able to complete on time.	Management attempts to mitigates such risk by working closely with contractors and subcontractors to identify areas that require resolution. The Group has in place a periodic tracking system to monitor progress report at the development site. Only, qualified and competent contractors are selected or replaced if necessary.
Market demand and costs uncertainty	Inability to forecast market demand and pricing sensitivity which may lead to loss of business opportunity, disruptions to operations, financial and non–financial losses, poor property sale and subsequent cash flow difficulty.	The Group undertakes market studies and thorough evaluations with external property agents to understand market sentiments. The Group typically undertakes a joint venturewith 3rd parties to mitigate carrying-cost financial risk. Construction costs are negotiated well and on fixed price basis in advance to mitigate future fluctuations.
Change in administrative policies	Changes due to regulatory requirements and quota policy which will affect the sale price and inability to secure timely approvals.	The Group will constantly engage with the local regulatory authorities to address issues as and when it arises and devise contingency plans.
Insufficient land bank	Due to completion of existing projects and inability to secure new land bank due to high price of development land and strong competition	The Group mitigates such risk by seeking to joint venture instead of undertaking outright purchases. This will reduce holding costs.

Sustainability Statement

(B) Environmental

Key Areas	Risks	Action Plans
Rapid urbanisation and growing emphasis for consideration on environmental impact of new developments	Reduction of forested areas or urbanisation of areas brings about negative environmental repercussions	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. <u>Incorporation of energy efficient innovations</u> 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. <u>Emphasis on green concept</u> 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

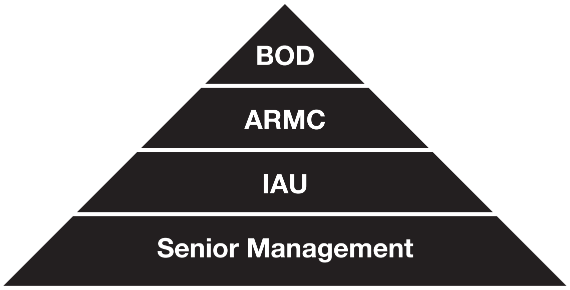
Sustainability Statement

Reporting Structure

In addressing the key areas where the medium to long term sustainability of the Group's business is vital, the Group has in place the following functions and areas that addresses the issues.

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 EE, 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.

Stakeholder 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 2018 in respect of each of those categories of stakeholders are summarised as follows:

Stakeholder	Key engagements in 2018	Frequency
Customers	Property sales events and marketing. 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

Sustainability Statement

Branding

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 contributed to the Annual Dinner 2018 of the Royal Institution of Surveyors Malaysia Johor Branch held on 3 December 2018 at Berjaya Waterfront Hotel, Johor Bahru.

Publicity and branding for the Group

The Group ventured into property development in 2015 via the acquisition of TESB and JMC. The Group has since completed its maiden project, Senibong 88, comprised of 45 units of factories in Permas Jaya, completed construction of 5 blocks of dormitories in Bandar Baru Permas Jaya, Mukim of Plentong with a total of 240 units and launched and commenced development of Phase 1 in Desa 88 in Plentong, Johor Bahru comprise of 40 units of terrace factories. The Group has further its presence in the development industry by venturing into Melaka during the year by successfully completing the acquisition of the development rights and interest in a proposed block of 44-storey service apartment (Block C) in the district of Melaka Tengah, Melaka, vide a Development Rights Agreement entered with Jaya Mapan Sdn. Bhd. The acquisition marked the Group's first footprint in development of residential property. The publicity of the Group's business is constantly highlighted for all the Group projects.

Sustainability Efforts Within Project

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.

Desa 88 factories are also designed with gated and guarded concept for added security to purchasers. For comfort, leisure and relaxation of the community, the project also offers greenfield among the pockets of land in between the factory units. For effective industrial operations, the factories are also equipped with high speed fibre optic internet connections.

The completed dormitories in Bandar Baru Permas Jaya, Mukim of Plentong are also based on gated and guarded concept. Amenities provided to the occupants of the dormitories includes a grocery mini mart, a barber shop, a convenient shop, telecommunication kiosks, a canteen and water dispenser machines.

Ensuring Development Projects are Not Overpriced

The cost of living and the costs of doing business in the country remains an on-going concern among purchasers in the purchase of Group's property. The challenge of obtaining end financing still prevails. So as to enable the Group to meet its sales targets, the Group attempts its level best to price it projects on a demand basis and within the SME affortable range price band.

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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 2018.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM	Company RM
Loss for the financial year	7,622,599	5,587,291
Attributable to:		
Owners of the parent	7,622,599	5,587,291
Non-controlling interests	-	-
	7,622,599	5,587,291

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.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 177,821,400 to 194,535,240 by way of issuance of 16,713,840 new ordinary shares pursuant to the following:

(i) 4,285,000 shares pursuant to private placement at an exercise price of RM0.35 each for cash; and

(ii) 12,428,840 shares pursuant to direct business transaction to satisfy part of the purchase consideration for the acquisition of development rights and interest in a block of 44-storey service apartments at an exercise price of RM0.43 each for cash.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

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

TREASURY SHARES

During the financial year, the Company transferred a total of 10,571,160 Treasury Shares to Jaya Mapan Sdn. Bhd. and/or its appointed nominees via direct business transaction to satisfy part of the purchase consideration for the acquisition by wholly owned subsidiary Teras Eco Sdn. Bhd. of the development rights and interest in a block of 44-storey service apartments.

Save for the above, there were no issuance and repayment of debt and equity securities, share cancellations and resale of treasury shares during the financial year.

Further relevant details are disclosed in Note 20 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 office during the financial year and up to the date of this report are as follows:

<u>Acoustech Berhad</u>

Leong Ngai Seng
Ong Li Tak
Soon Kwai Choy
Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi
Koh Boon Huat

<u>Subsidiaries of Acoustech Berhad (excluding those who are already listed above)</u>

Tee Kuan Hong

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 2018 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 1.1.2018**	**Bought**	**Sold**	**Balance as at 31.12.2018**
<u>Direct interests</u>				
Leong Ngai Seng	4,545,956	-	-	4,545,956
Soon Kwai Choy	400,000	-	-	400,000
<u>Indirect interests</u>				
Leong Ngai Seng	28,468,186	-	-	28,468,186
Soon Kwai Choy *	610,000	-	-	610,000

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

By virtue 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 33 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.

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 all known bad debts had been written off and that adequate provision had been 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 render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;

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

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

(d) In the opinion of the Directors:

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

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

(III) AS AT THE DATE OF THIS REPORT

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

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

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

Directors' Report

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 36 to the financial statements.

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

The details of the auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2018 are disclosed in Note 28 to the financial statements.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

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

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

Kuala Lumpur
17 April 2019

Statement By Directors

In the opinion of the Directors, the financial statements set out on pages 50 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 2018 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	**Ong Li Tak**
Director	Director

Kuala Lumpur
17 April 2019

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 50 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 by the abovenamed at	)	
Kuala Lumpur this	)	
17 April 2019	)	**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 2018 of the Group and of the Company, and 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 50 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 2018, and of their financial performance and their 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 2018, the net carrying amounts of goodwill of the Group amounted to RM21,469,424 as disclosed in Note 9 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise 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 amounts are based on their value-in-use. These key assumptions include forecast growth in future revenues and operating profit margins, as well as determining an appropriate pre-tax discount rate.

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 used in the cash flow 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 property development and construction contracts is set out in Note 25 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgement in determining the satisfaction of performance obligations as stated in the contracts with customers, transaction price allocation and costs in applying the input method to recognise revenue over time.

Audit response

Our audit procedures included the following:

(i) reviewed the terms and conditions of the sales transactions to determine that revenue recognised conforms with the Group policies and the requirements of MFRS 15 *Revenue from Contracts with Customers*;

(ii) evaluated the appropriateness of the management's estimate of budgeted costs to be incurred by comparing historical budgets to actual costs incurred to assess the reliability of management's budgeting process and controls;

(iii) assessed revenue from construction contracts and property development revenue recognition to determine that revenue is properly recognised in the current accounting period based on verified actual costs incurred to-date and budgeted costs; and

(iv) performed site visits to assess the status of the construction contracts and property development.

Key Audit Matters (continued)

(c) Impairment of trade receivables

As at 31 December 2018, the net carrying amounts of trade receivables of the Group amounted to RM4,193,973 as disclosed in Note 14 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgements in determining the probability of default by trade receivables and appropriate forward looking information.

Audit response

Our audit procedures included the following:

(i) recomputed the probability of default using historical data and forward looking information applied by the Group;

(ii) recomputed the correlation coefficient between forward looking information used by the Group and historical losses to determine the appropriateness of the forward-looking information used; and

(iii) inquiries of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses.

(d) Impairment on amount owing by an associate

As at 31 December 2018, the net carrying amount of amount owing by an associate of the Group and of the Company amounted to RM3,254,032, as disclosed in Note 14 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgements in determining the probability of default by the associate, appropriate forward looking information and significant increase in credit risk.

Audit response

Our audit procedures included the following:

(i) recomputed probability of default using historical data and forward looking information applied by the Group and Company;

(ii) assessed the appropriateness of the indicators of significant increase in credit risk applied by the management and the resultant basis for classification of exposure into respective stages;

(iii) challenged management on the basis for determining cash flows recoverable, where applicable; and

(iv) assessed actual loss events subsequent to the end of reporting period for its relationship with the indicators of significant increase in credit risk applied by management.

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

As at 31 December 2018, the net carrying amounts of investments in subsidiaries amounted to RM86,212,759 as disclosed in Note 10 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the subsidiaries in determining their recoverable amounts. In this instance, the recoverable amounts are based on their value-in-use. These key assumptions include forecast growth in future revenues and operating profit margins, as well as determining an appropriate pre-tax discount rate.

Key Audit Matters (continued)

(e) Impairment assessment of the carrying amounts of investment in subsidiaries (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 used in the cash flow 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.

(f) Impairment assessment of amounts owing by subsidiaries

As at 31 December 2018, the net carrying amounts of amounts owing by subsidiaries of the Company amounted to RM13,106,916, as disclosed in Note 14 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgements in determining the probability of default by subsidiaries, appropriate forward looking information and significant increase in credit risk.

Audit response

Our audit procedures included the following:

(i) recomputed probability of default using historical data and forward looking information applied by the Company;

(ii) assessed the appropriateness of the indicators of significant increase in credit risk applied by the management and the resultant basis for classification of exposure into respective stages;

(iii) challenged management on the basis for determining cash flows recoverable, where applicable; and

(iv) assessed actual loss events subsequent to the end of reporting period for its relationship with the indicators of significant increase in credit risk applied by management.

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 intend 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 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)

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 (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 Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group 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 PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Tan Seong Yuh
03314/07/2019 J
Chartered Accountant

17 April 2019
Kuala Lumpur

Statements of Financial Position

as at 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	7	1,271,456	1,245,656	735,593	940,420
Investment property	8	2,500,000	2,800,000	-	-
Goodwill	9	21,469,424	23,469,424	-	-
Investments in subsidiaries	10	-	-	86,212,759	67,042,757
Investment in an associate	11	-	-	-	-
Inventories	12	-	39,809,394	-	-
Deferred tax assets	13	-	10,949	-	-
Other receivables	14	3,254,032	-	10,860,948	-
Total non-current assets		28,494,912	67,335,423	97,809,300	67,983,177
Current assets					
Inventories	12	70,859,286	8,605,776	-	-
Trade and other receivables	14	25,741,737	33,038,671	5,755,674	12,476,827
Contract assets	15	3,741,998	-	-	-
Current tax assets		1,258,534	326,669	564	2,000
Short term funds	16	-	8,575	-	8,575
Cash and bank balances	17	4,974,589	12,059,898	26,903	8,173,264
Total current assets		106,576,144	54,039,589	5,783,141	20,660,666
Assets classified as held for sale	18	-	18,859,791	-	10,600,000
TOTAL ASSETS		135,071,056	140,234,803	103,592,441	99,243,843

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

Statements of Financial Position

as at 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	19	99,502,858	96,252,901	99,502,858	96,252,901
Treasury shares	20	(92,187)	(8,231,980)	(92,187)	(8,231,980)
Retained earnings	21	3,163,228	11,744,248	2,284,985	9,566,951
TOTAL EQUITY		102,573,899	99,765,169	101,695,656	97,587,872
LIABILITIES					
Non-current liabilities					
Borrowings	22	6,582,227	14,129,025	446,541	531,882
Deferred tax liabilities	13	625,963	446,981	625,963	446,981
Total non-current liabilities		7,208,190	14,576,006	1,072,504	978,863
Current liabilities					
Trade and other payables	23	13,558,362	15,824,836	745,864	603,230
Contract liabilities	15	4,799,830	-	-	-
Borrowings	22	6,930,775	1,809,001	78,417	73,878
Total current liabilities		25,288,967	17,633,837	824,281	677,108
Liabilities classified as held for sale	18	-	8,259,791	-	-
TOTAL LIABILITIES		32,497,157	40,469,634	1,896,785	1,655,971
TOTAL EQUITY AND LIABILITIES		135,071,056	140,234,803	103,592,441	99,243,843

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 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Continuing operations					
Revenue	25	36,089,838	5,048,057	-	-
Cost of sales	26	(32,842,048)	(6,815,807)	-	-
Gross profit/(loss)		3,247,790	(1,767,750)	-	-
Other income		384,824	1,314,896	762,549	642,800
Selling and distribution costs		(434,953)	(521,458)	-	-
Administrative expenses		(5,044,853)	(4,886,608)	(2,630,662)	(2,592,321)
Other expenses		(5,323,501)	(2,281,048)	(3,508,528)	(14,847,675)
Finance costs	27	(43,490)	(454,095)	(31,668)	(17,070)
Share of loss of an associate, net of tax	11	-	(125,635)	-	-
Loss before tax	28	(7,214,183)	(8,721,698)	(5,408,309)	(16,814,266)
Tax expense	29	(408,416)	(31,119)	(178,982)	(146,374)
Loss for the financial year from continuing operations		(7,622,599)	(8,752,817)	(5,587,291)	(16,960,640)
Discontinued operation	30				
Loss for the financial year from discontinued operation, net of tax		-	(5,130,341)	-	-
Loss for the financial year		(7,622,599)	(13,883,158)	(5,587,291)	(16,960,640)
Other comprehensive income		-	-	-	-
Total comprehensive loss, net of tax		(7,622,599)	(13,883,158)	(5,587,291)	(16,960,640)
Loss per ordinary share attributable to equity holders of the Company (sen)					
Basic and diluted					
- From continuing operations		(4.48)	(5.24)		
- From discontinued operation		-	(3.07)		
	31	(4.48)	(8.31)		

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

Consolidated Statement of Changes In Equity

for the financial year ended 31 December 2018

Group	Note	Non-distributable Share capital RM	Non-distributable Share premium RM	Non-distributable Treasury shares RM	Distributable Retained earnings RM	Total equity RM
Balance as at 1 January 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 loss, net of tax		-	-	-	-	-
Total comprehensive loss		-	-	-	(13,883,158)	(13,883,158)
Transfer pursuant to Companies Act 2016 *		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.*

Group	Note	Non-distributable Share capital RM	Non-distributable Treasury shares RM	Distributable Retained earnings RM	Total equity RM
Balance as at 1 January 2018, as previously reported		96,252,901	(8,231,980)	11,744,248	99,765,169
Adjustments on initial application of: MFRS 9	4.1	-	-	(958,421)	(958,421)
Balance as at 1 January 2018, as restated		96,252,901	(8,231,980)	10,785,827	98,806,748
Loss for the financial year		-	-	(7,622,599)	(7,622,599)
Other comprehensive loss, net of tax		-	-	-	-
Total comprehensive loss		-	-	(7,622,599)	(7,622,599)
Transactions with owners					
Ordinary shares issued pursuant to:					
- Private placement	19	1,499,750	-	-	1,499,750
- Direct Business Transaction	19	5,344,401	-	-	5,344,401
Reissue of treasury shares	20	(3,594,194)	8,139,793	-	4,545,599
Total transactions with owners		3,249,957	8,139,793	-	11,389,750
Balance as at 31 December 2018		99,502,858	(92,187)	3,163,228	102,573,899

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

Statement of Changes In Equity

for the financial year ended 31 December 2018

Company	Note	Non-distributable Share capital RM	Non-distributable Share premium RM	Non-distributable Treasury shares RM	Distributable Retained earnings RM	Total equity RM
Balance as at 1 January 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 loss, net of tax		-	-	-	-	-
Total comprehensive loss		-	-	-	(16,960,640)	(16,960,640)
Transfer pursuant to Companies Act 2016 *		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.*

Company	Note	Non-distributable Share capital RM	Non-distributable Treasury shares RM	Distributable Retained earnings RM	Total equity RM
Balance as at 1 January 2018, as previously stated		96,252,901	(8,231,980)	9,566,951	97,587,872
Adjustments on initial application of:					
MFRS 9	4.1	-	-	(1,694,675)	(1,694,675)
Balance as at 1 January 2018, as restated		96,252,901	(8,231,980)	7,872,276	95,893,197
Loss for the financial year		-	-	(5,587,291)	(5,587,291)
Other comprehensive loss, net of tax		-	-	-	-
Total comprehensive loss		-	-	(5,587,291)	(5,587,291)
Transactions with owners					
Ordinary shares issued pursuant to:					
- Private placement	19	1,499,750	-	-	1,499,750
- Direct Business Transaction	19	5,344,401	-	-	5,344,401
Reissue of treasury shares	20	(3,594,194)	8,139,793	-	4,545,599
Total transactions with owners		3,249,957	8,139,793	-	11,389,750
Balance as at 31 December 2018		99,502,858	(92,187)	2,284,985	101,695,656

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

Statements of Cash Flows

for the financial year ended 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax:					
- from continuing operations		(7,214,183)	(8,721,698)	(5,408,309)	(16,814,266)
- from discontinued operation		-	(4,921,341)	-	-
Adjustments for:					
Depreciation of property, plant and equipment	7	264,051	603,759	204,827	153,372
Gain on fair valuation of derivative financial instruments		-	(766,621)	-	-
(Gain)/Loss on fair valuation of short term funds		(57)	10	(57)	10
Loss/(Gain) on revaluation of investment property	8	300,000	(1,165,551)	-	-
Loss on disposal of property, plant and equipment		-	20,919	-	-
Income distribution from short term funds		(241)	(411,015)	(241)	(299)
Interest expense		38,568	452,133	29,976	16,353
Interest income		(24,580)	(51,756)	(16,491)	(32,176)
Interest income from an associate		(101,075)	(27,779)	(101,075)	(27,779)
Interest income from subsidiaries		-	-	(644,685)	(582,546)
Inventories written down		-	805,034	-	-
Impairment loss on:					
- goodwill		2,000,000	-	-	-
- other receivables		1,000,000	-	-	-
- trade receivables		22,640	-	-	-
Impairment on amount owing by:					
- subsidiaries		-	-	1,365,466	-
- an associate		588,398	-	588,398	-
Impairment of investment in:					
- a subsidiary	28	-	-	830,000	13,698,277
- an associate	28	-	-	-	600,000
Net unrealised gain on foreign exchange		-	(65,211)	-	-
Property, plant and equipment:					
- impairment losses	7	-	929,155	-	-
Reversal of impairment losses on trade receivables		(105,964)	-	-	-
Share of loss of an associate, net of tax	11	-	125,635	-	-
Operating loss before working capital changes		(3,232,443)	(13,194,327)	(3,152,191)	(2,989,054)
Changes in working capital:					
Inventories		(16,903,063)	109,687	-	-
Trade and other receivables		3,935,482	27,263,396	21,052	(269,365)
Contract assets		(3,741,998)	-	-	-
Trade and other payables		(2,266,474)	(5,519,930)	142,634	(65,189)
Contract liabilities		4,799,830	-	-	-
Cash (used in)/generated from operations		(17,408,666)	8,658,826	(2,988,505)	(3,323,608)
Tax paid		(1,152,350)	(2,424,170)	(564)	(4,000)
Tax refunded		2,000	25,000	2,000	-
Net cash (used in)/from operating activities		(18,559,016)	6,259,656	(2,987,069)	(3,327,608)

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

Statements of Cash Flows

for the financial year ended 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Additional investments in subsidiaries		-	-	(20,000,002)	(37,999,900)
Advances to an associate		(2,356,075)	(2,247,779)	(2,356,075)	(2,247,779)
Advances to subsidiaries		-	-	(907,712)	-
Addition for investment property	8	-	(85,189)	-	-
Distribution from subsidiary arising from capital reduction		-	-	-	23,310,000
Income distribution received from short term funds		298	411,005	298	289
Interest received		24,580	51,756	16,491	32,176
Interest income from an associate		101,075	27,779	101,075	27,779
Interest income from subsidiaries			-	644,685	582,546
Purchase of property, plant and equipment	7	(202,474)	(327,959)	-	(121,211)
Proceeds from disposal of:					
- property, plant and equipment		-	115,425	-	-
- a subsidiary, net of cash and cash equivalents	18(c)	5,713,400	-	10,600,000	-
Repayment from subsidiaries		-	-	-	24,040,773
Net cash from/(used in) investing activities		3,280,804	(2,054,962)	(11,901,240)	7,624,673
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of bank loans		5,983,338	2,692,639	-	-
Proceeds from ordinary shares issued pursuant to:					
- private placement		1,499,750	-	1,499,750	-
- direct business transaction		5,344,401	-	5,344,401	-
Repayment of:					
- hire purchase creditors		(105,243)	(161,330)	(80,802)	(43,940)
- bank loans		(8,390,496)	(15,694,232)	-	-
Interest paid		(1,034,022)	(1,511,769)	(29,976)	(16,353)
Net cash from/(used in) financing activities		3,297,728	(14,674,692)	6,733,373	(60,293)
Net (decrease)/increase in cash and cash equivalents		(11,980,484)	(10,469,998)	(8,154,936)	4,236,772
Effects of exchange rate changes on cash and equivalents		-	(531)	-	-
Cash and cash equivalents at beginning of financial year		16,955,073	27,425,602	8,181,839	3,945,067
Cash and cash equivalents at end of financial year	17(e)	4,974,589	16,955,073	26,903	8,181,839

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

Statements of Cash Flows

for the financial year ended 31 December 2018

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	Note	As at 1.1.2018 RM	Cash flows RM	Non-cash flows RM	As at 31.12.2018 RM
Bank loans	22	15,215,749	(2,407,158)	-	12,808,591
Hire purchase creditors	22	722,277	(105,243)	87,377	704,411
Company					
Hire purchase creditors	22	605,760	(80,802)	-	524,958

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

Notes to the Financial Statements

31 December 2018

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 2018 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 17 April 2019.

2. PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activities and details of the subsidiaries are disclosed in Note 10 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company 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 Group and the Company applied MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments* for the first time during the current financial year, using the cumulative effect method as at 1 January 2018. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

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.

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 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

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 15 and MFRS 9 described in the following sections.

(a) MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings and other components of equity.

(i) Classification of financial assets and financial liabilities

The Group and the Company classify their financial assets into the following measurement categories depending on the business model of the Group and the Company for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarises the key changes:

- The Available-For-Sale (AFS), Held-To-Maturity (HTM) and Loans and Receivables (L&R) financial asset categories were removed.
- A new financial asset category measured at Amortised Cost (AC) was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.
- A new financial asset category measured at Fair Value Through Other Comprehensive Income (FVTOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

4. ADOPTION OF MFRSs AND AMENDMENTS TO MFRSs (continued)

4.1 New MFRSs adopted during the financial year (continued)

(a) MFRS 9 *Financial Instruments* (continued)

(i) Classification of financial assets and financial liabilities (continued)

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- The remaining amount of change in the fair value is presented in profit or loss.

(ii) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

Impairment for receivables from related parties are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

4. ADOPTION OF MFRSs AND AMENDMENTS TO MFRSs (continued)

4.1 New MFRSs adopted during the financial year (continued)

(a) MFRS 9 *Financial Instruments* (continued)

(iii) Classification and measurement

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 January 2018:

	Classification		Carrying amount	
Group	**Existing under MFRS 139**	**New under MFRS 9**	**Existing under MFRS 139 RM**	**New under MFRS 9 RM**
Financial assets				
Trade and other receivables	L&R	AC	32,295,278	31,336,857
Cash and bank balances	L&R	AC	12,059,898	12,059,898
Financial liabilities				
Trade and other payables	OFL	AC	15,824,836	15,824,836
Borrowings	OFL	AC	15,938,026	15,938,026
Company				
Financial assets				
Trade and other receivables	L&R	AC	12,456,003	10,761,328
Cash and bank balances	L&R	AC	8,173,264	8,173,264
Financial liabilities				
Trade and other payables	OFL	AC	603,230	603,230
Borrowings	OFL	AC	605,760	605,760

4. ADOPTION OF MFRSs AND AMENDMENTS TO MFRSs (continued)

4.1 New MFRSs adopted during the financial year (continued)

(a) MFRS 9 *Financial Instruments* (continued)

(iii) Classification and measurement (continued)

The following tables are reconciliations of the carrying amount of the statement of financial position of the Group and of the Company from MFRS 139 to MFRS 9 as at 1 January 2018:

`	Existing under MFRS 139 Carrying amount as at 31 December 2017 RM	Remeasurement RM	New under MFRS 9 Carrying amount as at 1 January 2018 RM
Group			
Trade and other receivables:			
Opening balance	32,295,278	-	32,295,278
Increase in impairment loss	-	(958,421)	(958,421)
Total trade and other receivables	32,295,278	(958,421)	31,336,857
Retained earnings:			
Opening balance	11,744,248	-	11,744,248
Increase in impairment loss for			
- trade and other receivables	-	(958,421)	(958,421)
Total retained earnings	11,744,248	(958,421)	10,785,827
Company			
Trade and other receivables:			
Opening balance	12,456,003	-	12,456,003
Increase in impairment loss	-	(1,694,675)	(1,694,675)
Total trade and other receivables	12,456,003	(1,694,675)	10,761,328
Retained earnings:			
Opening balance	9,566,951	-	9,566,951
Increase in impairment loss for			
- trade and other receivables	-	(1,694,675)	(1,694,675)
Total retained earnings	9,566,951	(1,694,675)	7,872,276

4. ADOPTION OF MFRSs AND AMENDMENTS TO MFRSs (continued)

4.1 New MFRSs adopted during the financial year (continued)

(b) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a comprehensive framework for revenue recognition and measurement. It replaces MFRS 118 Revenue, MFRS 111 Construction Contracts, and related Interpretations. Under MFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires significant judgement.

The Group adopted MFRS 15 using the modified retrospective method (without practical expedients), with the effect of initially applying this Standard at the date of initial application of 1 January 2018. The cumulative effect of initially applying MFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations.

The following summarises the impact of adopting MFRS 15 on the statement of financial position of the Group as at 31 December 2018 and its statement of profit or loss and OCI for the financial year then ended for each of the line items affected.

(i) Statements of financial position

	As reported RM	Adjustments RM	Amounts without adoption of MFRS 15 RM
Assets			
Trade and other receivables	28,995,769	3,481,998	32,477,767
Contract assets	3,741,998	(3,741,998)	-
Others	102,333,289	-	102,333,289
Total assets	135,071,056	(260,000)	134,811,056
Equity			
Retained earnings	3,163,228	-	3,163,228
Others	99,410,671	-	99,410,671
Total equity	102,573,899	-	102,573,899
Liabilities			
Trade and other payables	13,558,362	4,539,830	18,098,192
Contract liabilities	4,799,830	(4,799,830)	-
Others	14,138,965	-	14,138,965
Total liabilities	32,497,157	(260,000)	32,237,157
Total equity and liabilities	135,071,056	(260,000)	134,811,056

4. ADOPTION OF MFRSs AND AMENDMENTS TO MFRSs (continued)

4.1 New MFRSs adopted during the financial year (continued)

(b) MFRS 15 *Revenue from Contracts with Customers* (continued)

(ii) Statements of profit or loss and OCI

	As reported RM	Adjustments RM	Amounts without adoption of MFRS 15 RM
Revenue	36,089,838	366,173	36,456,011
Cost of sales	(32,842,048)	(366,173)	(33,208,221)
Income tax expense	(408,416)	-	(408,416)
Others	(10,461,973)	-	(10,461,973)
Loss for the financial year	(7,622,559)	-	(7,622,559)
Total comprehensive income for the financial year	(7,622,559)	-	(7,622,559)

4.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company:

Title	Effective Date
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
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108 *Definition of Material*	1 January 2020
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 Company is in the process of assessing the impact of implementing these Standards, since the effects would only be observable for future financial years.

5. FINANCIAL REPORTING UPDATES

5.1 IFRIC Agenda Decision - Over time transfer of constructed good

The IFRS Interpretations Committee ('IFRIC') received a submission about the capitalisation of borrowing costs in relation to the construction of a residential multi-unit real estate development.

Based on the fact pattern described in the submission, the request asked whether the entity has a qualifying asset as defined in IAS 23 *Borrowing Costs* and, therefore, capitalises any directly attributable costs.

The IFRIC concluded in March 2019 that, in the fact pattern described in the request:

i. Any receivable and contract asset that the entity recognises is not a qualifying asset.
ii. Any inventory (work-in-progress) for unsold units under construction that the entity recognises is also not a qualifying asset because the unsold units are ready for its intended use or sale.

The MASB announced on 20 March 2019 that an entity shall apply the change in accounting policy as a result of this Agenda Decision to financial statements of annual periods beginning on or after 1 July 2020.

The Group is in the process of obtaining new information and adapting its systems to implement this change in accounting policy. The implementation results would be reported during the financial year ending 31 December 2021.

6. OPERATING SEGMENTS

Acoustech Berhad and its subsidiaries are principally engaged in developing properties and construction.

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

Acoustech Berhad has arrived at two (2) (2017: 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 (discontinued operation)

Manufacturing, assembly and sales of speaker units and multimedia spealer 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.

6. OPERATING SEGMENTS (continued)

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.

2018	**Property development and construction division RM**	**Investment holding division RM**	**Total RM**
Revenue			
Total revenue	36,089,838	-	36,089,838
Inter-segment revenue	-	-	-
Revenue from external customers	36,089,838	-	36,089,838
Interest income	8,089	117,566	125,655
Income distribution from short term funds	-	241	241
Interest expense	(8,592)	(29,976)	(38,568)
Net interest (expense)/ income	(503)	87,831	87,328
Results			
Segment loss before tax	(1,356,655)	(5,857,528)	(7,214,183)
Assets			
Segment assets	129,540,320	4,272,202	133,812,522
Liabilities			
Segment liabilities	30,600,372	1,270,822	31,871,194
Other information			
Capital expenditure	289,851	-	289,851
Depreciation of property, plant and equipment	59,224	204,827	264,051

6. 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)

6. OPERATING SEGMENTS (continued)

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

	2018 Continuing operations RM	2018 Discontinued operation RM	2018 Total RM	2017 Continuing operations RM	2017 Discontinued operation RM	2017 Total RM
Loss for the financial year						
Total loss before tax for reportable segments	(7,214,183)	-	(7,214,183)	(8,721,698)	(4,921,341)	(13,643,039)
Tax expense	(408,416)	-	(408,416)	(31,119)	(209,000)	(240,119)
Loss for the financial year	(7,622,599)	-	(7,622,599)	(8,752,817)	(5,130,341)	(13,883,158)
Assets						
Total assets for reportable segments	133,812,522	-	133,812,522	121,037,394	18,859,791	139,897,185
Current tax assets	1,258,534	-	1,258,534	326,669	-	326,669
Deferred tax assets	-	-	-	10,949	-	10,949
Group's assets	135,071,056	-	135,071,056	121,375,012	18,859,791	140,234,803
Liabilities						
Total liabilities for reportable segments	31,871,194	-	31,871,194	31,762,862	8,259,791	40,022,653
Deferred tax liabilities	625,963	-	625,963	446,981	-	446,981
Group's liabilities	32,497,157	-	32,497,157	32,209,843	8,259,791	40,469,634

6. OPERATING SEGMENTS (continued)

Geographical information

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

(i) Malaysia : Investment holding, property development and construction.

(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	**2018**	**2017**
Revenue	**RM**	**RM**
Malaysia	36,089,838	5,048,057

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	**2018**	**2017**	**Segment**
	%	**%**	
- Customer A	69.56	78.15	Property development and construction division

7. PROPERTY, PLANT AND EQUIPMENT

Group 2018	**Balance as at 1.1.2018 RM**	**Additions RM**	**Depreciation charge for the financial year RM**	**Balance as at 31.12.2018 RM**
Carrying amount				
Office equipment	44,147	81,724	(9,486)	116,385
Furniture and fittings	90,683	-	(23,709)	66,974
Motor vehicles	796,887	87,377	(178,567)	705,697
Renovations and installations	228,879	103,010	(29,654)	302,235
Computers	85,060	17,740	(22,635)	80,165
	1,245,656	289,851	(264,051)	1,271,456

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2018	At 31.12.2018 Cost RM	Accumulated depreciation RM	Carrying amount RM
Carrying amount			
Office equipment	161,688	(45,303)	116,385
Furniture and fittings	143,046	(76,072)	66,974
Motor vehicles	1,026,952	(321,255)	705,697
Renovations and installations	399,554	(97,319)	302,235
Computers	172,233	(92,068)	80,165
	1,903,473	(632,017)	1,271,456

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 18) 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 18) 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

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2018	Balance as at 1.1.2018 RM	Depreciation charge for the financial year RM	Balance as at 31.12.2018 RM
Carrying amount			
Office equipment	10,602	(2,980)	7,622
Furniture and fittings	65,827	(18,808)	47,019
Motor vehicles	657,616	(151,743)	505,873
Renovations and installations	190,317	(22,382)	167,935
Computers	16,058	(8,914)	7,144
	940,420	(204,827)	735,593

	At 31.12.2018		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Office equipment	14,902	(7,280)	7,622
Furniture and fittings	94,038	(47,019)	47,019
Motor vehicles	758,716	(252,843)	505,873
Renovations and installations	223,819	(55,884)	167,935
Computers	26,773	(19,629)	7,144
	1,118,248	(382,655)	735,593

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

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2017	At 31.12.2017 Cost RM	Accumulated depreciation RM	Carrying amount RM
Carrying amount			
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

(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 rates are as follows:

Office equipment	10% - 20%
Furniture and fittings	10% - 20%
Motor vehicles	10% - 20%
Renovations and installations	10%
Computers	10% - 33%

(c) In the previous financial year, the Group recognised impairment losses of RM929,155 on certain property, plant and equipment, which had been decommissioned and no longer in use.

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

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Purchase of property, plant and equipment	289,851	977,659	-	770,911
Financed by hire purchase arrangements	(87,377)	(649,700)	-	(649,700)
Cash payments on purchase of property, plant and equipment	202,474	327,959	-	121,211

7. PROPERTY, PLANT AND EQUIPMENT (continued)

(e) 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		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Motor vehicles	686,447	775,437	505,873	657,616

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

8. INVESTMENT PROPERTY

Group

	Balance as at 1.1.2018 RM	Fair value adjustment RM	Balance as at 31.12.2018 RM
Investment property	2,800,000	(300,000)	2,500,000

	Balance as at 1.1.2017 RM	Transfer from property development costs (Note 12(a)(ii) RM	development Fair value adjustments RM	Balance as at 31.12.2017 RM
Investment property	1,549,260	85,189	1,165,551	2,800,000

(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.

8. INVESTMENT PROPERTY (continued)

(b) The fair values of the investment property at 31 December 2018 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	
	2018 RM	**2017 RM**
Quit rent and assessment	16,720	10,563

9. GOODWILL

	Group	
	2018 RM	**2017 RM**
Balance as at 1 January	23,469,424	23,469,424
Less: Impairment loss	(2,000,000)	-
Balance as at 31 December	21,469,424	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 five (5) (2017: four (4)) years business plans.

(ii) Pre-tax discount rate of 8% (2017: 8%) was applied in determining the recoverable amount of the subsidiaries. The discount rate was estimated based on risk premium of the Group.

9. GOODWILL (continued)

(c) Based on the annual impairment testing undertaken by the Group, the carrying amount of goodwill was determined to be lower than their recoverable amount by RM2,000,000. Accordingly, impairment losses amounting to RM2,000,000 were recognised during the financial year due to declining business operations. The impairment losses were allocated fully to goodwill, and are included in administrative and other expenses.

The management is not aware of any reasonably possible change in the above key assumptions that would cause the carrying amount to materially exceed their recoverable amounts.

10. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 **RM**	**2017** **RM**
Unquoted shares - at cost	87,042,759	82,565,108
Less: Impairment losses	(830,000)	(15,522,351)
	86,212,759	67,042,757

(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.

10. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of company	Interest in equity held by Company 2018 %	2017 %	Principal activities
Formosa Prosonic Technics Sdn. Bhd. ("FPT") #	-	100	Manufacturing and assembly of speaker units, multi-media speaker systems and moulded plastic parts
Teras Eco Sdn. Bhd. ("TE")	100	100	Property development
JM Cemerlang Sdn. Bhd. ("JMC")	100	100	Property development
Teras Eco Resources Sdn. Bhd. ("TER")	100	100	Property development
T Three Builder Sdn. Bhd. ("TTB") *	100	-	Property development, project management and construction
Subsidiary of FPT			
Aerotronic Sdn. Bhd. ("Aerotonic")	-	100	Inactive

Details of disposal of subsidiary during the financial year are disclosed in Note 18 to the financial statements
* *Consolidated using management account*

(d) In the previous financial year, FPT decreased its issued and paid up share capital from RM33,300,000 divided into 33,300,000 ordinary shares to RM9,990,000 divided into 9,990,000 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 2018 are as follows:

(i) On 17 October 2018, the Company incorporated a new wholly-owned subsidiary, TTB, with an issued and paid-up share capital of RM2.00.

(ii) On 28 December 2018, the Company subscribed for an additional 20,000,000 ordinary shares in TE for a cash consideration of RM20,000,000.

(f) During the year, impairment loss on investment in a subsidiary amounting to RM830,000 has been recognised in respect of a subsidiary due to declining business operations. The recoverable amount of this subsidiary was based on its value-in-use.

(g) In the previous financial year, impairment loss on investment in a subsidiary amounted to RM13,698,277 had been recognised in respect of a subsidiary as the Company had entered into a Share Sale Agreement to dispose 100% of shareholding in the subsidiary as disclosed in Note 18 to the financial statements. The recoverable amount of this subsidiary was based on the fair value less costs of disposal. The disposal was completed during the current financial year.

10. INVESTMENTS IN SUBSIDIARIES (continued)

(h) Reconciliation of movements in impairment losses of investments in subsidiaries are as follows:

	Company 2018 RM	Company 2017 RM
At 1 January	15,522,351	1,824,074
Charge for the financial year	830,000	13,698,277
Write off	(15,522,351)	-
At 31 December	830,000	15,522,351

11. INVESTMENT IN AN ASSOCIATE

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 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)	(125,635)	-	-
Impairment loss	-	-	(600,000)	(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 2018 %	Interest in equity held by a subsidiary 2017 %	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*

Notes to the Financial Statements

31 December 2018

11. INVESTMENT IN AN ASSOCIATE (continued)

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

	2018 RM	2017 RM
Carrying amounts	-	-
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)

(d) Unrecognised share of losses of an associate

	2018 RM	2017 RM
The unrecognised share of loss of an associate for the year	(1,093,374)	(396,607)
Cumulative share of loss of an associate	(1,490,281)	(396,607)

12. INVENTORIES

	Note	Group 2018 RM	Group 2017 RM
Non-current assets			
Land held for property development	12(a)(i)	-	39,809,394
Current assets			
Land held for property development	12(a)(i)	-	-
Property development costs	12(a)(ii)	68,987,241	2,118,308
Completed properties held for sale		1,872,045	6,487,468
		70,859,286	8,605,776
Total inventories		70,859,286	48,415,170

12. 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
2018			
At cost			
Balance as at 1 January 2018	36,500,000	3,309,394	39,809,394
Additions	2,461,045	714,033	3,175,078
Transfer to property development costs (Note 12(a)(ii))	(38,961,045)	(4,023,427)	(42,984,472)
Balance as at 31 December 2018	-	-	-
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

(ii) Property development costs

Group	Freehold land, at cost RM	Development costs RM	Total RM
2018			
Cumulative property development costs			
Balance as at 1 January 2018	7,015	2,111,293	2,118,308
Incurred during the financial year	-	27,512,517	27,512,517
Transfer from land held for property development (Note 12(a)(i))	38,961,045	4,023,427	42,984,472
Balance as at 31 December 2018	38,968,060	33,647,237	72,615,297
Cumulative cost recognised in the statement of profit or loss and other comprehensive income			
Balance as at 1 January 2018	-	-	-
Recognised during the financial year	-	(3,628,056)	(3,628,056)
Balance as at 31 December 2018	-	(3,628,056)	(3,628,056)
Property development costs as at 31 December 2018	38,968,060	30,019,181	68,987,241

12. INVENTORIES (continued)

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

(ii) Property development costs (continued)

Group 2017	Freehold land, at cost RM	Development costs RM	Total RM
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 8)	(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
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

(b) Land held for property development is classified within non-current assets and is stated at lower of cost and net realisable value.

(c) Borrowing costs capitalised in property development cost and land held for property development during the financial year of the Group amounted to RM281,421 (2017: RM170,081) and RM714,033 (2017: RM889,555) respectively at a rate of 6.92% (2017: 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 22 to the financial statements.

(e) The Group recognises in profit or loss the property development revenue and costs by reference to the progress towards complete satisfaction of that performance obligation at the reporting period. It is measured based on direct measurements of the value transferred by the Group to the customers and the Group's efforts or inputs to the satisfaction of the performance obligation. Significant judgement is required in determining the completeness and accuracy of the budgets and the extent of the costs incurred.

Substantial changes in cost estimates can have a significant effect on the profitability of the Group in future periods. In making the above judgement, the Group relies on past experience and work of specialists. Transaction price are determined based on estimated profit margins prior to its allocation to the identified performance obligations.

12. INVENTORIES (continued)

(f) In the previous financial year, completed properties held for sale of the Group amounting to RM6,487,468 had been pledged to financial institutions as security for facilities granted to the Group as disclosed in Note 22 to the financial statements.

(g) 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.

13. DEFERRED TAX

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

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Balance as at 1 January	436,032	125,554	446,981	300,503
Recognised in profit or loss (Note 29)				
- Continuing operations	189,931	101,478	178,982	146,478
- Discontinued operation	-	209,000	-	-
Balance as at 31 December	625,963	436,032	625,963	446,981
Presented after appropriate offsetting:				
Deferred tax assets, net	-	(10,949)	-	-
Deferred tax liabilities, net	625,963	446,981	625,963	446,981
	625,963	436,032	625,963	446,981

(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	**Total RM**
At 1 January 2018	(10,949)	(10,949)
Recognised in profit or loss	10,949	10,949
At 31 December 2018	-	-
At 1 January 2017	-	-
Recognised in profit or loss	(10,949)	(10,949)
At 31 December 2017	(10,949)	(10,949)

13. 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

	Other temporary differences RM	Total RM
At 1 January 2018	446,981	446,981
Recognised in profit or loss	178,982	178,982
At 31 December 2018	625,963	625,963
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

Deferred tax liabilities of the Company

	Other temporary differences RM	Total RM
At 1 January 2018	446,981	446,981
Recognised in profit or loss	178,982	178,982
At 31 December 2018	625,963	625,963
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

(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	
	2018 RM	2017 RM
Continuing operations		
Unused tax losses	5,758,454	5,272,209

Deferred tax assets of subsidiaries 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 unused tax losses up to the year of assessment 2018 shall be deductible until year of assessment 2025. The unused tax losses for the year of assessment 2019 onwards will expire in 7 years.

14. TRADE AND OTHER RECEIVABLES

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Non-current				
Other receivables				
Amounts owing by subsidiaries	-	-	7,606,916	-
Amount owing by an associate	4,603,854	-	4,603,854	-
	4,603,854	-	12,210,770	-
Less: Impairment losses				
- Amount owing by an assiociate	(1,349,822)	-	(1,349,822)	-
	3,254,032	-	10,860,948	-
Current				
Trade receivables				
Third parties	1,507,867	8,784,166	-	-
Associate	2,799,779	374,601	-	-
Accrued billings	-	17,189,973	-	-
Contract assets in relation to construction contracts	-	3,024,477	-	-
	4,307,646	29,373,217	-	-
Less : Impairment losses				
- Third parties	(113,673)	-	-	-
Total trade receivables	4,193,973	29,373,217	-	-
Other receivables				
Amounts owing by subsidiaries	-	-	7,798,717	9,952,322
Amount owing by an associate	-	2,247,779	-	2,247,779
Deposits	11,885,424	340,599	229,600	229,600
Other receivables	2,228,460	333,683	4,456	26,302
	14,113,884	2,922,061	8,032,773	12,456,003
Less: Impairment losses				
- Amounts owing by subsidiaries	-	-	(2,298,717)	-
- Other receivables	(1,000,000)	-	-	-
	13,113,884	2,922,061	5,734,056	12,456,003
Total receivables	20,561,889	32,295,278	16,595,004	12,456,003
Prepayments	8,433,880	743,393	21,618	20,824
	28,995,769	33,038,671	16,616,622	12,476,827

14. TRADE AND OTHER RECEIVABLES (continued)

(a) Total 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 (2017: 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) Trade and other receivables are denominated in RM.

(d) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

The Group uses an allowance matrix to measure the expected credit loss of trade receivables from individual customers. Expected loss rates are calculated using the roll rate method separately for exposures in different segments based on age of customer relationship.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information (gross domestic product (GDP)) and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward looking information.

(e) The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

Group	**Gross carrying amount RM**	**Loss allowance RM**	**Net balance RM**
Current	77,633	(106)	77,527
1 - 90 days	3,197,163	(9,677)	3,187,486
More than 91 days	1,032,850	(103,890)	928,960
	4,307,646	(113,673)	4,193,973

As at the end of each reporting period, no collateral has been obtained by the Group. Thus, the maximum credit risk exposure is equivalent to the gross carrying amount of trade receivables of the Group.

During the financial year, the Group did not renegotiate the terms of any trade receivables.

14. TRADE AND OTHER RECEIVABLES (continued)

(f) Reconciliation of movements in impairment losses of trade receivables are as follows:

2018	Lifetime ECL allowance RM	Group credit impaired RM	Total allowance RM
Trade receivables			
At 1 January under MFRS 139	-	-	-
Restated through opening retained earnings	196,997	-	196,997
Opening impairment loss of trade receivables in accordance with MFRS 9	196,997	-	196,997
Reversal of impairment losses	(105,964)	-	(105,964)
Charge for the financial year	-	22,640	22,640
At 31 December	91,033	22,640	113,673

(g) Comparative information under MFRS 139 *Financial Instruments: Recognition and Measurement*

The aging of the trade receivables as at 31 December 2017 was as follows:

	Group 2017 RM
Current (not past due)	5,385,860
1 - 30 days past due	2,544,201
31 - 60 days past due	3,199
61 - 90 days past due	384,000
More than 90 days past due	841,507
	9,158,767

(h) Included in the deposits of the Group are deposits paid for the purchase of six (6) plots of land located in Pengerang and for the acquisition of future development rights amounting to RM3,131,529 and RM8,229,080 respectively.

(i) Included in the prepayments of the Group are as follows:

(i) Payments made for the purchase of two (2) plots of land located in Pengerang amounting to RM3,162,020. These lands will be reclassified as land held for property developments upon completion of the transaction.

(ii) Payments made to a contractor of JMC for mobilisation fees amounting to RM4,194,918.

(j) Non-current amounts owing by subsidiaries and non-trade amount owing by an associate represent advances and payments made on behalf, which are unsecured and bear interest rate of 3% (2017: 3%) per annum and are not payable within the next twelve months.

(k) Current amounts owing by subsidiaries represent advances and payments made on behalf, which are unsecured and bear interest rate of 3% (2017: 3%) per annum and are payable within next twelve (12) months in cash and cash equivalents.

14. TRADE AND OTHER RECEIVABLES (continued)

(l) Impairment for other receivables are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly as defined in Note 14(d) to the financial statements, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised. The Group defined significant increase in credit risk as twenty five percent (25%) on relative basis.

The probability of non-payment by the subsidiaries and an associate are adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the twelve month or lifetime expected credit loss for the subsidiaries and an associate.

(m) It requires management to exercise significant judgement in determining the probability of default by subsidiaries and an associate, appropriate forward looking information and significant increase in credit risk.

Reconciliation of movements in impairment losses of amounts owing by subsidiaries and an associate are as follows:

	2018	
	Group	**Company**
	Lifetime expected credit loss - credit impaired	
	RM	**RM**
At 1 January in accordance with MFRS 139	-	-
Restated through opening retained earnings	761,424	1,694,675
Opening impairment loss of amounts owing by subsidiaries and an associate in accordance with MFRS 9	761,424	1,694,675
Charge for the financial year	588,398	1,953,864
At 31 December	1,349,822	3,648,539

(n) Reconciliation of movements in impairment losses of other receivables are as follows:

	Group 2018 RM
At 1 January	-
Charge for the financial year	1,000,000
At 31 December	1,000,000

No expected credit loss is recognised arising from other receivables of the Company as it is negligible.

(o) 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.

14. TRADE AND OTHER RECEIVABLES (continued)

(p) Construction contracts

The contract assets from construction contracts are as follows:

	Group 2017 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

15. CONTRACT ASSETS/(LIABILITIES)

	Group 2018 RM
Aggregate pre-contract costs incurred to date	31,396,692
Add: Attributable profits	3,032,078
	34,428,770
Less: Progress billings	(35,486,602)
	(1,057,832)
Represented by:	
Contract assets	
Construction contracts	3,741,998
Contract liabilities	
Property development contracts	(4,799,830)
	(1,057,832)

15. CONTRACT ASSETS/(LIABILITIES) (continued)

(a) Construction contracts and property development contracts

Construction contracts and property development contracts represent the timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect physical completion of the contracts.

Contract assets are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Group issues billing to the customer. Contract liabilities are recognised as revenue when performance obligations are satisfied.

There were no significant changes in the contract assets and liabilities during the financial year.

(b) Contract value yet to be recognised as revenue

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, are as follows:

	Group 2018 RM
Within 1 year	18,549,613
Between 1 and 4 years	2,600,000
	21,149,613

16. SHORT TERM FUNDS

	Group		**Company**	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Financial assets at fair value through profit or loss				
Fixed income trust funds in Malaysia	-	8,575	-	8,575

(a) Short term funds were classified as fair value through profit or loss and measured at fair value, which were under Level 1 of fair value hierarchy. The fair value of short term funds in Malaysia were determined by reference to counter parties' quotes at the close of the business at the end of the reporting period.

(b) Short term funds were mainly designated to manage free cash flows and optimise working capital so as to provide a steady stream of income returns. It was 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 were 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) Short term funds were denominated in RM.

17. CASH AND BANK BALANCES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	4,974,589	4,059,898	26,903	173,264
Deposits with licensed banks	-	8,000,000	-	8,000,000
	4,974,589	12,059,898	26,903	8,173,264

(a) Deposits with licensed banks were subject to fixed weighted average effective interest rates of 3.10% per annum and with a maturity period of 35 days in the previous financial year.

(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) Cash and bank balances are denominated in RM.

(d) No expected credit losses were recognised arising from the deposits with financial institutions because the probability of default by these financial institutions were negligible.

(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	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	4,974,589	4,059,898	26,903	173,264
Deposits with licensed banks (not more than three months)	-	8,000,000	-	8,000,000
Short term funds (Note 16)	-	8,575	-	8,575
	4,974,589	12,068,473	26,903	8,181,839
Cash and bank balances classified as held for sale (Note 18)	-	3,623,567	-	-
Short term funds classified as held for sale (Note 18)	-	1,263,033	-	-
	4,974,589	16,955,073	26,903	8,181,839

18. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

During the previous financial year, 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 had been classified separately from other assets and liabilities in the statements of financial position as assets and liabilities held for sale in the previous financial year. The disposal was completed on 2 January 2018.

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

	Note	Group 2017 RM	Company 2017 RM
Assets classified as held for sale			
Property, plant and equipment	7	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	17(e)	1,263,033	-
Cash and bank balances	17(e)	3,623,567	-
Assets classified as held for sale	18(c)	18,859,791	10,600,000
Liabilities classified as held for sale			
Trade and other payables	18(c)	8,259,791	-

(a) In the previous financial year, inventories of FPT recognised as cost of sales amounted to RM24,508,705.

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

(c) The details of the disposal of the subsidiary were as follows:

	Note	2018 Group RM	2018 Company RM
Assets classified as held for sale		18,859,791	10,600,000
Liabilities classified as held for sale		(8,259,791)	-
Net assets		10,600,000	10,600,000
Net proceeds from disposal		(10,600,000)	(10,600,000)
Gain on disposal		-	-
Proceeds from disposal		10,600,000	10,600,000
Short term funds	17(e)	(1,263,033)	-
Cash and bank balances	17(e)	(3,623,567)	-
Cash flow on disposal, net of cash and cash equivalents of a subsidiary disposed		5,713,400	10,600,000

19. SHARE CAPITAL

	Group and Company			
	2018		2017	
	Number of shares	RM	Number of shares	RM
Issued and fully paid				
Balance as at 1 January	177,821,400	96,252,901	177,821,400	88,910,700
Issuance of ordinary shares pursuant to:				
- Private placement	4,285,000	1,499,750	-	-
- Direct Business Transaction	12,428,840	5,344,401	-	-
Reissue of treasury shares	-	(3,594,194)	-	-
Transfer from share premium account pursuant to the Companies Act 2016	-	-	-	7,342,201
Balance as at 31 December	194,535,240	99,502,858	177,821,400	96,252,901

(a) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 177,821,400 ordinary shares to 194,535,240 ordinary shares by way of issuance of 16,713,840 new ordinary shares pursuant to the following:

(i) 4,285,000 shares pursuant to private placement at an exercise price of RM0.35 each for cash; and

(ii) 12,428,840 shares pursuant to direct business transaction to satisfy part of the purchase consideration for the acquisition of development rights and interest in a block of 44-storey service apartments at an exercise price of RM0.43 each for cash.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

(b) 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.

(c) 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 had 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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20. TREASURY SHARES

There were no shares repurchased during the financial year ended 31 December 2018. During the financial year, the Company reissued a total of 10,571,160 Treasury Shares to Jaya Mapan Sdn. Bhd. and/or its appointed nominees via direct business transaction to satisfy part of the purchase consideration for the acquisition by wholly owned subsidiary Teras Eco Sdn. Bhd. of the development rights and interest in a block of 44-storey service apartments.

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. Save for the reissued disclosed above, none of the treasury shares have been sold as at 31 December 2018.

As at 31 December 2018, the Company held 111,840 (2017: 10,683,000) treasury shares at a total cost of RM92,187 (2017: RM8,231,980). The movement to treasury shares is detailed as follows:

	Group and Company			
	2018		2017	
	Number of treasury shares	RM	Number of treasury shares	RM
Balance as at 1 January	10,683,000	8,231,980	10,683,000	8,231,980
Reissued to Jaya Mapan Sdn. Bhd. and/or its appointed nominees	(10,571,160)	(4,545,599)	-	-
Loss arising from reissue of treasury shares to Jaya Mapan Sdn. Bhd. and/or its appointed nominees	-	(3,594,194)	-	-
Balance as at 31 December	111,840	92,187	10,683,000	8,231,980

21. RETAINED EARNINGS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Distributable				
Retained earnings	3,163,228	11,744,248	2,284,985	9,566,951
	3,163,228	11,744,248	2,284,985	9,566,951

22. BORROWINGS

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Non-current liabilities:					
Bank loans		5,983,338	13,495,943	-	-
Hire purchase creditors		598,889	633,082	446,541	531,882
		6,582,227	14,129,025	446,541	531,882
Current liabilities:					
Bank loans		6,825,253	1,719,806	-	-
Hire purchase creditors		105,522	89,195	78,417	73,878
		6,930,775	1,809,001	78,417	73,878
Total borrowings		13,513,002	15,938,026	524,958	605,760
Represented by:					
Bank loans	(b)	12,808,591	15,215,749	-	-
Hire purchase creditors	(c)	704,411	722,277	524,958	605,760
		13,513,002	15,938,026	524,958	605,760

(a) Borrowings are classified as financial liabilities measured at amortised cost.

(b) Bank loans

	Group 2018 RM	Group 2017 RM
Term loan I repayable by 24 equal monthly instalments of RM317,000 each commencing 11 February 2015	-	1,719,806
Term loan II repayable by 24 equal monthly instalments of RM664,413 each commencing 1 January 2019	6,825,253	13,495,943
Term loan III repayable by 24 equal monthly instalments of RM178,366 each commencing 1 September 2020	3,742,527	-
Bridging loan I repayable by 24 equal monthly instalments of RM780,351 each commencing 1 January 2021	2,240,811	-
	12,808,591	15,215,749

22. BORROWINGS (continued)

(b) Bank loans (continued)

(i) Bank loans of the Group are secured by the followings:

A. Legal charges over land held for property development of the Group as disclosed in Note 12 to the financial statements; and

B. Jointly and severally guaranteed by all Directors of JM Cemerlang Sdn. Bhd. and Teras Eco Sdn. Bhd., which are subsidiaries of the Group

(c) Hire purchase creditors

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Minimum hire-purchase payments:				
- not later than one (1) year	136,123	121,723	101,167	101,167
- later than one (1) year but not later than five (5) years	581,280	523,680	441,456	441,456
- later than five (5) years	86,400	199,363	56,491	166,855
Total minimum hire-purchase payments	803,803	844,766	599,114	709,478
Less: Future interest charges	(99,392)	(122,489)	(74,156)	(103,718)
Present value of hire-purchase liabilities	704,411	722,277	524,958	605,760
Repayable as follows:				
Current liabilities:				
- not later than one (1) year	105,522	89,195	78,417	73,878
Non-current liabilities:				
- later than one (1) year but not later than five (5) years	513,920	440,889	390,873	371,068
- later than five (5) years	84,969	192,193	55,668	160,814
	598,889	633,082	446,541	531,882
	704,411	722,277	524,958	605,760

22. BORROWINGS (continued)

(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 that are exposed to interest rate risk:

Group 2018	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
Bank loans						
Floating rate	6.92	6,825,253	2,495,924	3,487,414	-	12,808,591
Hire purchase creditors						
Fixed rate	5.15	105,522	118,859	395,063	84,967	704,411
2017						
Bank loans						
Floating rate	6.77	1,719,806	7,048,482	6,447,461	-	15,215,749
Hire purchase creditors						
Fixed rate	4.74	89,195	101,511	339,377	192,194	722,277
Company **2018**						
Hire purchase creditors						
Fixed rate	5.15	78,417	90,291	300,583	55,667	524,958
2017						
Hire purchase creditors						
Fixed rate	4.74	73,878	85,339	285,729	160,814	605,760

22. BORROWINGS (continued)

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

Group	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
As at 31 December 2018				
Bank loans	7,749,062	6,721,441	-	14,470,503
Hire purchase creditors	136,123	581,280	86,400	803,803
As at 31 December 2017				
Bank loans	2,697,789	14,862,066	-	17,559,855
Hire purchase creditors	121,723	523,680	199,363	844,766
Company				
As at 31 December 2018				
Hire purchase creditors	101,167	441,456	56,491	599,114
As at 31 December 2017				
Hire purchase creditors	101,167	441,456	166,855	709,478

(f) Borrowings that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values are as follows:

	2018		2017	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group				
Hire purchase creditors	704,411	593,733	722,277	600,129
Company				
Hire purchase creditors	524,958	444,827	605,760	502,140

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

22. BORROWINGS (continued)

(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	
	2018	**2017**
Loss after tax	**RM**	**RM**
Increase by 0.5% (2017: 0.5%)	48,673	57,820
Decrease by 0.5% (2017: 0.5%)	(48,673)	(57,820)

The sensitivity is lower in 2018 than in 2017 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.

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.

(h) Borrowings are denominated in RM.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Trade payables				
Third parties	3,994,618	2,340,218	-	-
Retention sums	1,382,736	385,393	-	-
	5,377,354	2,725,611	-	-
Other payables				
Other payables	3,454,005	10,105,163	94,872	2,029
Accruals	4,727,003	2,994,062	650,992	601,201
	8,181,008	13,099,225	745,864	603,230
	13,558,362	15,824,836	745,864	603,230

23. TRADE AND OTHER PAYABLES (continued)

(a) Trade and other payables are classified as other financial liabilities, and measured at amortised cost.

(b) Trade payables are non-interest bearing and the normal trade credit terms granted range from 30 to 60 days (2017: 30 to 90 days) from the date of invoice.

(c) Included in other payables of the Group is amount owing to a Director of RM1,000 (2017: RM14,206) which is unsecured, interest-free and payable upon demand in cash and cash equivalents.

(d) Trade and other payables are denominated in RM.

(e) 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.

24. COMMITMENTS

(a) Operating lease commitments

(i) The Group as a lessee

The Group and the Company had entered into non-cancellable lease agreements for rental of premises and billboard, 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	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Not later than one (1) year	322,267	27,200	107,600	27,200
Later than one (1) year and not later than five (5) years	199,067	-	32,400	-
	521,334	27,200	140,000	27,200

(ii) The Group as a lessor

The Group has entered into non-cancellable lease agreements on rental of premises for a term of one (1) year.

The Group has aggregate future minimum lease receivable as at the end of each reporting period as follows:

	Group	
	2018 RM	**2017 RM**
Not later than one (1) year	75,000	-
Later than one (1) year and not later than five (5) years	-	-
	75,000	-

24. COMMITMENTS (continued)

(b) Capital commitments

	Group	
	2018	**2017**
	RM	**RM**
Contracted but not provided for:		
- Acquisition of land for development	6,746,355	-

25. REVENUE

	Group	
	2018	**2017**
	RM	**RM**
Revenue from contracts with customers:		
Recognised over time:		
Revenue from construction contracts	25,103,291	3,944,969
Property development revenue	5,081,114	1,103,088
Recognised at point in time:		
Sales of completed properties	5,905,433	-
	36,089,838	5,048,057

(a) Property development

The Group recognises revenue from property development over time if it creates an asset with no alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation (e.g. by reference to the property development costs incurred to date as a percentage of the estimated total costs of development of the contract).

Property development revenue, property development costs and the profit recognition thereof involve significant judgements in determining the satisfaction of performance obligations, transaction price allocation and costs in applying the input method to recognise revenue over time.

The Group identifies performance obligations that are distinct and material, which is judgmental in the context of contract. Transaction prices were determined based on estimated margins prior to its allocation to the identified performance obligation. The Group also estimated total contract costs in applying the input method to recognise revenue over time.

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

25. REVENUE (continued)

(b) Sale of completed properties

The Group recognises sales at a point in time for the sale of completed properties, when the control of the properties has been transferred to the purchasers, being when the properties have been completed and delivered to the customers and it is probable that the Group will collect the considerations to which it would be entitled to in exchange for the assets sold.

There is no significant financing component in the revenue arising from sale of completed properties as the sales are made on the normal credit terms not exceeding twelve months.

(c) Construction contract

Revenue from contract works are recognised over the period of the contracts by reference to the progress towards complete satisfaction of that performance obligations. Progress is determined on the proportion of construction contract costs incurred for work performed to date against total estimated construction contract costs where the outcome of the project can be estimated reliably.

26. COST OF SALES

	Group	
	2018 RM	**2017 RM**
Continuing operations		
Property development costs	3,628,056	3,045,641
Cost of sales of completed properties	5,215,522	-
Construction contracts costs	23,998,470	3,770,166
	32,842,048	6,815,807

27. FINANCE COSTS

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Continuing operations				
Bank charges	4,922	1,972	1,692	717
Interest expense on:				
- hire purchase creditors	38,568	23,935	29,976	16,353
- term loans	-	428,188	-	-
	43,490	454,095	31,668	17,070

28. LOSS BEFORE TAX

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Continuing operations				
Loss before tax is arrived at after charging:				
Auditors' remuneration:				
- current year	72,300	67,200	36,300	31,600
Depreciation of property, plant and equipment	264,051	205,804	204,827	153,372
Directors' remuneration:				
- Directors of the Company:				
- fees	220,000	220,000	220,000	220,000
- other emoluments	1,035,649	1,088,346	1,035,649	1,088,346
- Directors of a subsidiary:				
- other emoluments	-	3,985	-	-
Fair value adjustment on short term funds	-	10	-	10
Impairment losses on:				
- amounts owing by subsidiaries	-	-	1,365,466	-
- amount owing by an associate	588,398	-	588,398	-
- goodwill	2,000,000	-	-	-
- investment in a subsidiary	-	-	830,000	13,698,277
- investment in an associate	-	-	-	600,000
- other receivables	1,000,000	-	-	-
- trade receivables	22,640	-	-	-
Loss on disposal of property, plant and equipment	-	20,919	-	-
Loss on revaluation of investment property	300,000	-	-	-
Rental of premises	170,400	122,400	81,600	81,600
Rental of equipment	2,714	2,717	-	-
Rental of factory	-	13,000	-	-
And after crediting:				
Fair value adjustment on short term funds	57	-	57	-
Gain on revaluation of investment property	-	1,165,551	-	-
Interest income	24,580	33,984	16,491	32,176
Interest income received from:				
- advances to subsidiaries	-	-	644,685	582,546
- advances to an associate	101,075	27,779	101,075	27,779
Income distribution from short term funds	241	299	241	299
Rental income	47,170	-	-	-
Reversal of impairment losses on trade receivables	105,964	-	-	-

The estimated monetary value of benefits-in-kind not included in the above received by Directors of the Company was RM47,900 (2017: RM22,375) for the Group and the Company.

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

(b) Rental income is recognised on a straight-line basis over the lease term of an ongoing lease.

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29. TAX EXPENSE

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Continuing operations				
Current tax expense				
- Based on profit for the financial year	-	-	-	-
- Under/(Over) provision in prior years	218,485	(70,359)	-	(104)
	218,485	(70,359)	-	(104)
Deferred tax (Note 13)				
- Relating to origination and reversal of temporary differences	189,931	101,694	178,982	146,478
- Over provision in prior year	-	(216)	-	-
	189,931	101,478	178,982	146,478
Total taxation from continuing operations	408,416	31,119	178,982	146,374

	Group 2018 RM	Group 2017 RM
Discontinued operation		
Deferred tax (Note 13)		
- Relating to origination and reversal of temporary differences	-	-
- Under provision in prior years	-	209,000
	-	209,000
Total taxation from discontinuing operation (Note 30)	-	209,000

(a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated taxable profits for the fiscal year.

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

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Loss before tax				
- continuing operations	(7,214,183)	(8,721,698)	(5,408,309)	(16,814,266)
- discontinued operation	-	(4,921,341)	-	-
	(7,214,183)	(13,643,039)	(5,408,309)	(16,814,266)

29. TAX EXPENSE (continued)

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

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Taxation at Malaysian statutory rate of 24% (2017: 24%)	(1,731,404)	(3,274,330)	(1,297,994)	(4,035,424)
Expenses not deductible for tax purposes	1,959,769	2,785,948	1,632,109	4,328,502
Income not subject to tax	(155,133)	(492,669)	(155,133)	(146,600)
Deferred tax assets not recognised	116,699	1,082,745	-	-
	189,931	101,694	178,982	146,478
Under/(Over) provision in prior years				
- corporate tax	218,485	(70,359)	-	(104)
- deferred tax	-	208,784	-	-
	408,416	240,119	178,982	146,374

30. DISCONTINUED OPERATION

As disclosed in Note 18 to the financial statements, following the disposal of FPT to FPI, the audio division was classified as discontinued operation in the previous financial year. The disposal was completed on 2 January 2018.

(a) An analysis of the results of the discontinued operations was as follows:

	Group 2017 RM
Revenue	41,641,231
Cost of sales	(43,646,453)
Gross loss	(2,005,222)
Other income	1,341,242
Selling and distribution costs	(1,088,891)
Administrative expenses	(890,392)
Other expenses	(2,269,348)
Finance costs	(8,730)
Loss before tax	(4,921,341)
Tax expense (Note 29)	(209,000)
Loss for the financial year	(5,130,341)

30. DISCONTINUED OPERATION (continued)

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

	Group 2017 RM
Net cash from operating activities	7,354,826
Net cash from investing activities	252,036
Net cash used in financing activities	(23,310,010)
	(15,703,148)

(c) Other than those disclosed elsewhere in the financial statements, profit before tax of the discontinued operations was arrived at:

	Group 2017 RM
Loss before tax is arrived at after charging:	
Auditors' remuneration	
- current year	29,000
- over provision in prior year	(3,000)
Bank charges	4,664
Depreciation of property, plant and equipment	397,955
Interest expenses on:	
- bank guarantee	4,056
Inventories written down	805,034
Property, plant and equipment	
- impairment losses	929,155
Research and development costs	183,033
Rental of premises	816,534
Unrealised loss on foreign exchange	13,527
Realised loss on foreign exchange	594,957
And after crediting:	
Fair value gain on derivative financial liabilities	766,621
Interest income	17,772
Income distribution from short term funds	410,716
Unrealised gain on foreign exchange	78,738

31. LOSS PER ORDINARY SHARE

(a) Basic loss per ordinary share

Basic loss per ordinary share for the financial year is calculated by dividing the loss 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	
	2018	**2017**
In RM		
Loss for the financial year attributable to equity holders of the parent		
- From continuing operations	(7,622,599)	(8,752,817)
- From discontinued operation	-	(5,130,341)
Loss attributable to equity holders of the parent	(7,622,599)	(13,883,158)
Weighted average number of ordinary shares outstanding (adjusted for treasury shares)	170,305,727	167,138,400
In sen		
Basic loss per ordinary share		
- From continuing operations	(4.48)	(5.24)
- From discontinued operation	-	(3.07)
	(4.48)	(8.31)

(b) Diluted loss per ordinary share

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

32. EMPLOYEE BENEFITS

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Salaries, wages and bonuses	2,392,968	2,309,459	1,875,664	1,778,973
Defined contribution plan	294,439	294,329	231,176	231,653
Other employee benefits	36,816	25,324	9,597	8,804
	2,724,223	2,629,112	2,116,437	2,019,430

Included in the employee benefits of the Group and of the Company are Directors' remuneration amounting to RM1,035,649 (2017: RM1,092,331) and RM1,035,649 (2017: RM1,088,346) respectively.

33. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

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

Related parties of the Group include:

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

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

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

(iv) 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**	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Related parties:				
Rental paid	81,600	81,600	81,600	81,600
Associate:				
Revenue from construction contract	25,103,291	3,944,969	-	-
Interest income	101,075	27,779	101,075	27,779
Subsidiaries:				
Interest income	-	-	644,685	582,546

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

Information regarding outstanding balances arising from related party transactions as at 31 December 2018 is disclosed in Notes 14 to the financial statements.

33. 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	
	2018	2017	2018	2017
Continuing operations	RM	RM	RM	RM
Short term employee benefits	927,125	978,185	927,125	974,200
Contribution to defined contribution plan	108,524	114,146	108,524	114,146
	1,035,649	1,092,331	1,035,649	1,088,346

34. CONTINGENT LIABILITIES

	Company	
	2018	2017
	RM	RM
Corporate guarantees given to financial institutions for credit facilities granted to a subsidiary	12,872,253	13,495,943
Corporate guarantees given to financial institutions for credit facilities granted to an associate	9,400,650	4,215,100

The Group designates corporate guarantees given to banks for credit facilities granted to a subsidiary and an associate as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these corporate guarantees as 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.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities, if any, are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities, if any, are only removed from the statements of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of business.

The Directors are of view that the chances of the financial institutions to call upon the corporate guarantees are remote.

35. 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 2018 and financial year ended 31 December 2017.

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	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Short term funds	-	8,575	-	8,575
Cash and bank balances	4,974,589	12,059,898	26,903	8,173,264
	4,974,589	12,068,473	26,903	8,181,839
Less:				
Borrowings	(13,513,002)	(15,938,026)	(524,958)	(605,760)
Net (debts)/cash	(8,538,413)	(3,869,553)	(498,055)	7,576,079
Equity attributable to owners of the parent	102,573,899	99,765,169	101,695,656	97,587,872
Gearing ratio	8.3%	3.9%	0.5%	*

* *Gearing ratio is not presented as the Company is in net cash position as at 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 these requirements for the financial year ended 31 December 2018.

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

(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 liquidity and cash flow risk, interest rate risk and credit risk. Information on the management of the related exposures is detailed below.

35. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(i) 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.

(ii) 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.

(iii) 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.

36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 2 January 2018, the terms of the SSA entered into between 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.

(b) On 5 November 2018, the Company announced its wholly owned subsidiary TESB entered into a Development Rights Agreement ("DRA") with Jaya Mapan Sdn. Bhd. ("JMSB") for the acquisition of the development rights and interest in a block of 44-storey serviced apartments (Block C) within the mixed development project known as The Green on a piece of leasehold land held under title number HSD 70516 PT 1816, Kawasan Bandar IV, District of Melaka Tengah, in the state of Melaka. The acquisition was completed on 13 December 2018.

Analysis of Shareholdings

as at 31 March 2018

Issued & Fully Paid-Up : RM95,754,851 (194,535,240 ordinary shares)
Class of Shares : Ordinary Shares
Voting Rights : One vote per ordinary shares

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF SHARES	%
1 - 99	54	1.715	2,424	0.001
100 - 1,000	275	8.738	210,993	0.108
1,001 - 10,000	1,859	59.072	8,984,473	4.621
10,001 - 100,000	790	25.103	26,310,729	13.532
100,001 - 9,721,169 (*)	168	5.338	133,143,685	68.481
9,721,170 AND ABOVE (**)	1	0.031	25,771,096	13.255
TOTAL :	3,147	100.000	194,423,400	100.000

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

SUBSTANTIAL HOLDERS

NAME	DIRECT NO. OF SHARES	PERCENTAGE(*)	INDIRECT NO. OF SHARES	PERCENTAGE
ACTE Properties Sdn Bhd	25,771,096	13.255	-	-
Leong Ngai Seng	4,545,956	2.338	28,468,186	14.642

DIRECTORS INTEREST

NAME	DIRECT NO. OF SHARES	%*	INDIRECT NO. OF SHARES	%
Leong Ngai Seng	4,545,956	2.338	28,468,186	14.642
Ong Li Tak	-	-	-	-
Soon Kwai Choy	400,000	0.206	610,000	0.314
Ahmad Rahizal Bin Amb Dato’ Ahmad Rasidi	-	-	-	-
Koh Boon Huat	-	-	-	-

List of Top 30 Shareholders

as at 31 March 2018

No.	Name	No. of Shares Held	Percentage
1	ACTE PROPERTIES SDN BHD	25,771,096	13.255
2	YEOH PHEK LENG	7,000,000	3.600
3	CHUA ENG GUAN	5,693,500	2.928
4	CHEN PO HSIUNG	4,750,000	2.443
5	LIM CHEN TONG	4,125,000	2.121
6	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN YAN TEN	4,100,000	2.108
7	LEE BOON LENG	3,846,154	1.978
8	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO CHAI HOCK	3,831,500	1.970
9	LEE HONG PENG	3,200,000	1.645
10	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO CHAI HOCK	3,006,000	1.546
11	LOW KIM ONG	2,750,000	1.414
12	ADSCORE SDN.BHD.	2,697,090	1.387
13	AFFIN HWANG NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,520,000	1.296
14	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEONG NGAI SENG	2,505,956	1.288
15	LOW BOON FIN	2,402,400	1.235
16	TAN BEE LENG	2,402,400	1.235
17	LEE BOON LENG	2,323,062	1.194
18	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LIM KAI SIONG (MY2651)	2,062,500	1.060
19	LIM CHANG TIONG	2,062,500	1.060
20	LEONG NGAI SENG	2,040,000	1.049
21	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM AH PENG	2,000,000	1.028
22	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HAI CHIOK	1,950,000	1.002
23	WANG, CHUN-CHENG	1,848,200	0.950
24	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIEW MEY YONG	1,665,000	0.856
25	CHENG LING MU	1,625,400	0.836
26	CHUA ENG GUAN	1,538,462	0.791
27	C.L.P.INDUSTRIES SDN BHD	1,478,000	0.760
28	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HSU TONG KEY	1,431,000	0.736
29	KUMAR A/L ELLAYA	1,428,000	0.734
30	CHEN, SHAN-CHING	1,400,000	0.720
	TOTAL	105,453,220	54.238

List of Properties

As At 31 December 2018

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

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 ……………………………………………………………..………………………………………………...

and/ or……………………..……………...................................…. 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 Twentieth 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 **Wednesday, 12 June 2019** 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		

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. Appointment of Proxy

1. A Member of the Company who is entitled to attend and vote at this meeting is entitled to appoint proxy(ies) to attend and vote instead of him. A proxy may, but need not, be a member of the Company. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
2. 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 Securities Industry (Central Depositories) Act, 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
3. Where a Member or 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. The appointment of two (2) or more proxies shall not be valid unless he specifies the proportions of his holdings to be represented by each proxy.
4. 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.
5. 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.
6. 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 31 May 2019 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.

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 2020. 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 2019 until the conclusion of the Company's next Annual General Meeting in 2020.

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.

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Stamp

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

please fold along this line (2)

ACOUSTECH BERHAD
(COMPANY NO. 496665-W)

UNIT 30-01, LEVEL 30, TOWER A, VERTICAL
BUSINESS SUITE AVENUE 3,
BANGSAR SOUTH, NO. 8, JALAN KERINCHI,
59200 KUALA LUMPUR.

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