Acoustech Berhad

(Company No. 199901021765 (496665-W))
(Incorporated in Malaysia)

CREATING
INTEGRATED DEVELOPMENTS
ANNUAL REPORT 2019

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-First Annual General Meeting ("**AGM**") of the Company will be conducted entirely through live streaming from the broadcast venue at Tricor Boardroom, Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia ("**Broadcast Venue**") using the Remote Participation and Voting facilities ("**RPV**") provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at https://tiih.online on Friday, 10 July 2020 at 11.00 a.m. for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 and the Reports of the Directors and the Auditors thereon.
   (Please refer to Note No. 3)

2. To approve the payment of Directors' Fees amounting to RM231,000.00 in respect of the financial year ended 31 December 2019. [2018: RM220,000] **Resolution 1**

3. To approve payment of Directors' benefits of up to RM300,000.00 for the financial period from 1 July 2020 to 30 June 2021. **Resolution 2**

4. To re-elect Ahmad Rahizal bin AMD Dato' Ahmad Rasidi, a Director retiring in accordance with Clause 105(1) of the Constitution of the Company. **Resolution 3**

5. To re-elect Soon Kwai Choy, 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**

   "**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 20% 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." **Resolution 6**

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

   "**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." **Resolution 7**

By Order of the Board

LIM HOOI MOOI (SSM PC No. 201908000134 (MAICSA 0799764)
WONG WAI FOONG (SSM PC No. 202008001472) (MAICSA 7001358)
LAU YEN HOON (SSM PC No. 202008002143) (MAICSA 7061368)
Joint Company Secretaries

Kuala Lumpur
11 June 2020

NOTES

1. **Important Notice**
The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. **Members will not be allowed to attend the meeting in person at the Broadcast Venue on the day of the meeting**. Members are to participate i.e. to attend, speak (including posing questions via real time submission of typed texts) and vote remotely using the RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at https://tiih.online.

Please read these Notes carefully and follow the procedures in the Administrative Guide for the AGM in order to participate remotely via the RPV.

2. **Appointment of Proxy**
- For the purpose of determining a Member who shall be entitled to participate and vote via the RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at **2 July 2020** and only a depositor whose name appears on the Record of Depositors shall be entitled to participate at the meeting or appoint proxy(ies) to participate in his stead.
- A Member of the Company who is entitled to participate and vote at this meeting is entitled to appoint proxy(ies) to participate and vote instead of him. A proxy may, but need not, be a member of the Company.
- Where a Member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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 the SIDCA which is exempted from compliance with the provisions of Section 25A(1) of the SICDA.
- Where a Member 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.
- A member who has appointed a proxy or attorney or authorized representative to attend, participate, speak and vote at this AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online. Please follow the Procedures for RPV in the Administrative Guide for the AGM.
- The appointment of a proxy may be made in hard copy form or by electronic form. The hard copy of 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.
- In the case of an appointment made in hard copy form, the proxy form must be deposited with the Company's 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. In the case of electronic appointment, the proxy form must be deposited via TIIH Online at https://tiih.online. Please refer to the Administrative Guide for the AGM for further information on electronic submission.
- All proxy forms submitted must be received by the Company at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
- Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with the Share Registrar of the Company.

3. **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.

4. **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 2021. 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 2020 until the conclusion of the Company's next Annual General Meeting in 2021.

5. **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.

As at the date of the Notice, the Company has not issued any new share under the general mandate sought at the previous Annual General Meeting.

Bursa Malaysia Securities Berhad had via a letter dated 16 April 2020 allowed listed issuers to seek a higher general mandate under Paragraph 6.03 of the Main Market Listing Requirements of not more than 20% of the total number of issued shares (excluding treasury shares) for issue of securities (20% General Mandate"), which may be utilised to issue new securities until 31 December 2021. In light of the economic challenges brought about by the global Coronavirus Disease (Covid-19) pandemic, the Board of Directors is of the opinion that the 20% General Mandate is useful for Acoustech Group to meet its financial needs during the period covered and therefore, it is in the best interest of the Company and its shareholders. Should the 20% General Mandate be exercised, the Directors will utilise the proceeds raised for working capital or such other applications they may in their absolute discretion deem fit.

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. <u>General mandate for issue of securities</u>
Kindly refer to item 5 - 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
Non-Independent
Non-Executive Chairman

Ong Li Tak
Managing Director

Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi
Executive Director

Soon Kwai Choy
Independent Non-Executive Director

Koh Boon Huat
Independent Non-Executive Director

AUDIT COMMITTEE

Soon Kwai Choy (Chairman)

Leong Ngai Seng

Koh Boon Huat

NOMINATION COMMITTEE

Leong Ngai Seng (Chairman)

Koh Boon Huat

Soon Kwai Choy

REMUNERATION COMMITTEE

Koh Boon Huat (Chairman)

Leong Ngai Seng

Soon Kwai Choy

COMPANY SECRETARIES

Lim Hooi Mooi
MAICSA 0799764

Wong Wai Foong
MAICSA 7001358

Lau Yen Hoon
MAICSA 7061368

AUDITORS

BDO PLT
(LLP0018825-LCA & AF 0206)
Suite 18-04, Level 18, Menara Zurich
No. 15, Jalan Dato' Abdullah Tahir,
80300 Johor Bahru, Johor.

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.
Tel : 07-233 0911/0922/0933

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

GROUP STRUCTURE

Acoustech Berhad
(Company No. 199901021765 (496665-W))
(Incorporated in Malaysia)

100%
TERAS ECO SDN. BHD.
(Company No. 201101034651 (962784-H))

100%
JM CEMERLANG SDN. BHD.
(Company No. 201301025086 (1054915-X))

100%
TERAS ECO RESOURCES SDN. BHD.
(Company No. 201601012758 (1183689-K))

100%
TE HOTEL SDN. BHD.
(Company No. 201901025663 (1334992-M))

100%
T THREE BUILDER SDN. BHD.
(Company No. 201801037897 (1299927-K))

30%
HARUM ECO DORMITORY SDN. BHD.
(Company No. 201601030937 (1201878-X))

MANAGEMENT DISCUSSION AND ANALYSIS

DEAR VALUED SHAREHOLDERS

For the past financial year 2019, the property development business remained moderate. Although business sentiment was slightly better compared with 2018, demand for properties in general remained lacklustre. This is against the backdrop of prolonged trade tensions between the United States and China which has dampened confidence, resulting in delayed investment commitments which directly and indirectly impacts the sale of commercial and industrial properties.

The National Property Information Centre (NAPIC) statistics for the property market showed that, for the 1st half of 2019, Malaysia recorded 160,172 transactions worth RM68.3 billion against 149,862 transactions worth RM67.74 billion in the same period of 2018. Although total number of transactions increased by 7%, total value only increased marginally by 0.8%. This reflects a general downshift in the overall value of properties sold per unit.

In terms of property sectors, 64% of transactions which took place in 2019 was under the residential category with demand recorded in major states namely Selangor (24.8%), Johor (13.8%) and Perak (10.5%). Among residential properties, terrace houses were more in demand compared to condominiums with the states of Selangor, Johor and Perak registering the higher number of launches.

For non-residential properties, although there was an increase in transaction volume, mainly in Kuala Lumpur, Selangor, Johor and Pulau Pinang, transaction value declined compared with 2018. Demand for shop offices was highest with transaction volume at 53% and a value of 46% against overall non-residential value.

Although statistics show that our local property market did perform marginally better in 2019 compared to 2018, the industry in general still suffers from over-supply and accumulation of unsold units. This is exacerbated by the rate of completion of new units in the market which is unfortunately not absorbed quickly enough by either local or foreign demand.

Despite the subdued economic outlook, the Malaysian property market is expected to remain resilient with various government driven initiatives to support the housing sector.

Amongst others, over the past 18 months, the federal government has introduced the National Housing Policy 2.0 (2018 – 2025) to ease property ownership for the B40 group by encouraging public and private sector partnership to reduce the demand and supply mismatch, lowering the restriction of foreign buyer transaction value threshold from RM1 million to RM0.6 million and reducing transaction costs vide stamp duty waivers for properties purchased under the government initiated Home Ownership Campaign ("HOC"), amongst others.

In spite of the continued efforts of the Government in supporting the growth of the property industry, the Board is of the view the growth of the property market has been gradual and remains soft in 2019.

For our Group, revenue for 2019 was derived substantially from property development activities at our Desa 88 Phase 1 in Plentong, Johor. The development of Phase 1 terrace factories generated revenue of RM14.9 million during the year with development progress having reached approximately 88% as at 31 December 2019. The tail end construction activities in respect of the dormitories in Permas Jaya generated the balance of revenue amounting to RM0.1 million.

Save for the remaining bumiputera reserved units which remain unsold, all the terraced factories at Desa 88 Phase 1 has been fully sold with building construction at the advanced stages of completion.

Overall, the Group's total revenue was lower against 2018 due to the development gestation period and the delay in launches due to subdued market conditions. In terms of the bottom line, the Group fared better ending 2019 with a lower loss after tax of RM1.6 million as compared to RM7.6 million in the preceding year.

Financial Highlights

The Group's core operations have been in the property development and construction segment for the past 2 financial years. For 2019, the Group generated revenue of RM15.0 million and a pre-tax loss of RM0.7 million. In terms of revenue, the Group experienced a decline mainly due to completion of the 5 blocks of dormitories in Permas, Johor at the end of 2018 and thereafter was dependent on the progress of Desa 88 Phase 1 terrace factories. The delay in launch of Phase 2 terrace factories was reflective of the Group's stance in being cautious amidst sluggish market conditions. The lower loss after tax of RM1.6 million marked an improvement over the loss after tax of RM7.6 million registered in the preceding year. In 2019, the Group managed to reverse the provision for impairment on other receivables amounting to RM1.0 million which was provided for in the previous financial year, following the recovery of the amounts concerned in 2019.

The consolidated loss before tax of RM0.7 million was derived from RM2.3 million in pre-tax profits generated by its property development and construction segment and set off against corporate expenses amounting to RM3.0 million incurred at the investment holding level.

Compared with the preceding year, the pre-tax loss at the investment holding division was higher at RM5.9 million primarily due to non-operational matters comprising RM2.0 million arising from impairment on goodwill on acquisition of subsidiaries and RM0.6 million provision for impairment on investment in an associate.

Financial Condition

Total assets

Total assets of the Group reduced from RM135.1 million as at the end of preceding year to RM131.2 million as at 31 December 2019. Total liabilities also contracted from RM32.5 million at the end of 2018 to RM30.2 million as at 31 December 2019. As a result of the Group's loss after tax of RM1.6 million during the year, total equity also reduced marginally from RM102.6 million at end of preceding year to RM101.0 million as at 31 December 2019. Net asset per share as at 31 December 2019 settled at 52 sen per share.

Receivables

Group's trade and other receivables declined from RM32.7 million to RM16.5 million as at end of 2019. The amounts are represented as non-current assets, amounting to RM2.6 million, Trade and Other Receivables amounting to RM13.1 million and Contract Assets amounting to RM0.8 million. Other Receivables represents the amount owing by an associate of RM2.6 million, net of provision for impairment brought forward from 2018 amounting to RM1.3 million which was made in compliance to the requirements of MFRS 9.

Loans

Total borrowings of the Group increased from RM13.5 million as at end of 2018 to RM16.4 million as at 31 December 2019. The increase of RM2.9 million arise from drawdown of a new term loan amounting to RM2.2 million, further drawdown of a bridging loan to fund the development of Desa 88 Phase 1 terrace factories and set off by redemption and instalment payments.

In the preceding year, included under borrowings was hire purchase loan amounting to RM0.7 million. In line with the requirements of MFRS 16 Leases adopted effective 1 January 2019, the outstanding hire purchase payments has been reclassified under Lease Liabilities, together with real estate operating leases, measured on a present value of the remaining lease payments basis and discounted by the Group's incremental borrowing rate of 6.85%. Further explanation is available under Note 4 to the financial statements under "Adoption of New MFRSs and Amendments to MFRSs".

Group's net gearing as at end of 2019 remained low at 0.15 which is an advantage to the Group as it allows room for further borrowings in line with Group's series of projects planned for the coming years.

Cash Position

The Group's cash position was lower at RM2.3 million as at 31 December 2019 compared to RM5.0 million as at the end of preceding year. The reduction was due to the RM6.8 million repayment made for loans drawn down for development of Desa 88 Phase 1 terrace factories and slower than expected rate of progress billing collection for the project.

To optimise the Group's cash management, the Group recently announced a fund-raising exercise vide the proposed issuance of redeemable convertible preference shares to a nominated third party and issuance and subscription of warrants by existing shareholders. The exercise is aimed at bolstering the cash position of the Group to simultaneously undertake several key development projects already identified over the next five years.

Creditors

Trade and Other Creditors as at end of the year under review amounted to RM11.7 million, lower by RM6.7 million as compared to RM18.4 million as at 31 December 2018. For 2019, the Group was better able to manage its creditors and liabilities amidst the cautious property industry sentiment and reducing or minimising financing commitments for projects by entering into joint ventures instead of undertaking outright land purchases. In August 2019, the Group managed to secure a Joint Venture Agreement with Sun Rock Development Sdn Bhd, a subsidiary of Protasco Berhad, for the proposed development of 66 units of shop offices in Pasir Gudang and a development agreement with Jaya Mapan Sdn Bhd ("JMSB") for the proposed development of a 16-storey 245-room hotel in Kota Syahbandar, Melaka. Both joint ventures have added RM104 million in GDV for the Group for the next 3 years with minimal initial financial commitments to be incurred.

Future Prospects and risks

The start of 2020 was promising for the Group as there were plans to expedite the launch of our projects planned and secured over the past 18 months. Unfortunately, the Covid-19 epidemic, with its severity to our day to day business only felt in March 2020, temporarily stalled much of the Group's initial plan for the 1st half of 2020.

Covid-19

In spite of having obtained necessary approvals for selected projects, the Group is now faced with the unprecedented and continuing effects of the Covid-19 global pandemic. Locally, the Government's enforcement of a Movement Control Order ("MCO") beginning 18 March 2020 has affected the Group's operations in almost every aspect.

The MCO has unfortunately resulted directly and indirectly in the contraction of most economic sectors due to movement restrictions and strict standard operating procedures set by the relevant government agencies to be complied with for the restarting of business activity. Social distancing and large group gathering restrictions has impacted and reduced the Group's ability to undertake conventional sales launches and also hampered construction works due to various regulatory requirements imposed. The threat of a lock-down or quarantine imposed on workers in the event of a wide spread construction site infection is also an ever-present threat to the Group's ability to carry out construction activity. The business risks are unfortunately real and evolving. The government has similarly warned that there could be further MCOs in the future should the Covid-19 infection rate spike uncontrollably. The ramifications to our Group's business will be severe as holding costs will escalate should there be further lock down periods.

The effects of the pandemic at the moment are still too early to tell. Needless to say, short term sentiments appear to be negative for many industries, including the property market in general. In light of this, the execution of operations and performance of the Group has become clouded as a result leading to a greater concern for the Group in deciding on the timing of launch of the projects. Amidst such fluid environment, the Board will be monitoring closely the changing dynamics of demand, market sentiments, government policies and to priortise the needs and expectations of purchasers in the near term.

Notwithstanding the current pandemic which appears to be under control in Malaysia at this present moment and any short-term measures the Group may undertake to weather the situation, the Group remains focused on its long-term business in property development. Management will continue to rigorously evaluate the feasibility of all our current projects to ensure they remain viable and profitable in the longer run.

The Group remain optimistic about the growth of selected regions, namely Melaka and Johor and therefore will continue to commit and enhance its presence in Melaka and Johor, albeit cautiously and circumspectly.

Whilst keeping track of the progress of the ongoing Desa 88 Phase 1 project, the Group will continue to design functional industrial parks that meets the evolving needs of small and medium industry players.

To minimise upfront financial commitments and ensure its business sustainability, the Group prioritises the increase of development land bank vide development agreements and joint ventures with land owners. All the Group's current and future projects are supported by feasibility studies and marketing analysis which are constantly updated and re-evaluated depending evolving market driven demands. In selecting proposed projects, the Group emphasises on the importance of minimal gestation period to minimise holding risks, quicker turnaround time and sustainable cashflow management.

12 Month Milestone

For the Phase 1 terrace factories in Desa 88, Plentong, Johor, our Group has achieved 88% completion as at end of 2019. Phase 1 offers 40 units of terrace factories with GDV and GDP of RM40.1 million and RM12.7 million respectively. The enforcement of the MCO has unfortunately delayed the last stage of construction. However, the Group remains optimistic to complete and deliver vacant possession ahead of schedule. Phase 4 of Desa 88 which comprise 2 contiguous parcels of was disposed in February 2020 for a sum of RM6.6 million. The disposal is expected to be completed by the 2nd quarter of 2020.

The remaining phases at Desa 88 are Phase 2 which offers 36 units of terrace factories, Phase 3 with 4 units of detached factories, Phase 5 which is a dormitory and Phase 6 which consist of multi-purpose retail spaces, expected to be launched in 2021 and beyond. Collectively, these remaining phases have a combined GDV of RM126.4 million.

In Permas, Johor, the newly completed integrated workers dormitories with a total of 240 hostel units within 5 blocks has been successfully tenanted since February 2019. The Group had recognised construction contract revenues of RM29.1 million mainly over the 2-year period from 2018 to 2019. Associate company Harum Eco Dormitory Sdn Bhd holds the dormitories as investment property for annual rental of RM3.6 million. The completion of the dormitories in December 2018 marked an achievement for the Group as its first project for use as dwelling for foreign workers that is compliant to Government's regulations.

During the year under review, the Group further expanded its presence in Melaka with the signing of a Development Agreement between its new wholly owned subsidiary TE Hotel Sdn Bhd and JMSB to develop a 16-storey 245 rooms hotel in Kota Syahbandar. The proposed development has an estimated GDV and GDP of RM60 million and RM10 million after landowner's entitlement of RM6 million. The substructure on which the hotel sits on will be constructed by JMSB and is expected to commence work in the second quarter of 2020. The proposed hotel is within the same mixed development in which another wholly owned subsidiary Teras Eco Sdn Bhd inked a Development Rights Agreement with JMSB in 2018 for the acquisition of the development rights and interest in a block of proposed 44-storey serviced apartments (Block C) for consideration of RM18 million. The approvals for both the proposed developments have already been secured with commencement work expected to be instantaneous. The block of service apartments has estimated GDV and GDP of approximately RM127 million and RM49 million respectively.

In May 2019, the Group also entered into two Development Rights Agreements ("DRAs"), vide its subsidiary Teras Eco Resources Sdn Bhd with 2 entities namely Innocashz (M) Sdn Bhd for the proposed development of a 110 rooms hotel in Bandar Melaka Kawasan Bandar XLI, District of Melaka Tengah, and Goldsand JV Sdn Bhd for the proposed development of 32 units of service apartments, 16 units of 2 ½ storey landed resort villa with basic clubhouse amenities in Mukim Krubong, District of Melaka Tengah. The two DRAs will add to the Group a total of 5.102 acres of landbank located in prime and burgeoning localities in Melaka with minimal upfront cash outflow. These projects will contribute to the Group's revenues and profitability over the next few years.

Within Johor itself, the Group entered into another Joint Venture Agreement with landowner Sun Rock Development Sdn Bhd for the proposed development of 66 units of double and three-storey shop offices on a land measuring 5.94 acres in Pasir Gudang, Johor. This project which has obtained conditional development order will provide an estimated GDV and GDC of RM59.4 million and RM31.6 million. Construction is expected to commence in second half of 2020 and targeted to be completed by December 2022. Despite the subdued condition due to the pandemic, demand for the units remain encouraging and the Group is on track to launch in the 3rd quarter of 2020.

Expectations For 2020

The Covid-19 pandemic has given rise to a very disruptive "new normal". While our Group is hopeful that the pandemic will be a temporary setback to business normality, there is no certainty as to how long and deep the impact of the pandemic will have on the Group's operations. At present, the ramifications to the property industry are unfortunately wide and far reaching. From disruption in material supply due to logistic issues, health and safety of construction workers to anticipated reduced lending appetite by financial institutions for the property segment, in the near term, unfortunately there is very little visibility on how the property market will cope in general.

In early April 2020, Bank Negara Malaysia ("BNM") had projected the nation's GDP Growth for 2020 to be between -2.0% to +0.5% given the weak global demand, supply chain disruptions and Covid-19 containment measures. There is no certainty that further revisions will not be depending on how the global economy fares.

The Government's stimulus packages "Pakej Rangsangan Ekonomi 2020" and "Pakej Rangsangan Ekonomi Prihatin Rakyat" along with loan moratorium and other monetary relief measures will provide some amount of relief to households and businesses. The lowering of base lending rates will help cushion loan and financing commitments and improve borrowing sentiments, which is key to property purchases. The measures and commitment are expected to lessen any steep decline for GDP Growth for 2020. BNM expects the Malaysian economy to rebound only in 2021 on the strong assumption that global recovery follows suit.

Against this backdrop, the Board will adopt a cautious position with regards to embarking on new projects under consideration whilst continuously assessing the funding structure and launch dates for its upcoming projects. Although the property industry and the economy in general is expected to remain anaemic for the near term, the Group is quietly optimistic that Malaysia's small and medium enterprises which contribute significantly to the overall GDP will remain robust and that demand for market competitive commercial and industrial properties to be robust in the longer term.

The Board is confident that the Group's experience in development and sale of factories with hybrid concept that caters for commercial as well as industrial purposes and in construction of regulation-compliant dormitories, will enable it complete all ongoing projects. These include the remaining phases at Desa 88 in Plentong, Johor, the Sentrio shop offices in Pasir Gudang, the hotel and residential tower in Kota Syahbandar, Melaka, the residential project with clubhouse in Krubong, Melaka as well as the hotel in Bandar Melaka Kawasan Bandar XLI, District of Melaka Tengah.

Significant Matters

The Group fared better in 2019 posting a lower loss after-tax of RM1.6 million compared to RM7.6 million in the preceding year. Its success in landing the Joint Venture Agreement for Pasir Gudang project, the Development Agreement for Kota Syahbandar hotel and the two Development Rights Agreements for the two remaining projects in Melaka has increased the Group's presence both in Melaka as well as Johor. Execution is the next stage of the Group's strategy.

As part of the Group's ongoing restructuring to ensure optimal management structure, the Board has has re-designated En. Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi as Executive Director effective 31 October 2019.

We remain hopeful and resilient in this tough and challenging business climate and wish to record our appreciation to all our shareholders, customers, bankers and suppliers for your continued support.

PROFILE OF DIRECTORS

LEONG NGAI SENG
Non-Independent Non-Executive Chairman

Nationaility / Gender / Age
Malaysian / Male / 48

Malaysian, male, aged 48, Non-Independent Non-Executive Chairman, was appointed to the Board of Acoustech Berhad on 25 February 2002. He was appointed as Executive Chairman from 26 November 2015 prior to re-designation as Non-Independent Non-Executive Chairman on 31 October 2019. He has a Law Degree and Commerce Degree LLB (Hons) B. Comm. from University of Melbourne and practises as a solicitor. He also previously worked as a merchant banker in the Corporate Finance Department of a leading merchant bank in Malaysia.

Mr. Leong has direct interest with 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.

Further to his re-designation on 31 October 2019, he has been appointed as member of the Audit and Risk Management Committee, Remuneration Committee and Chairman of the Nomination Committee of the Company. 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. Other than Acoustech Berhad, he does not hold any other directorship in public companies or listed issuer in Malaysia. 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 2019.

ONG LI TAK, RICHARD
Managing Director

Nationaility / Gender / Age
Malaysian / Male / 43

Malaysian, male, aged 43, Managing Director, was appointed to the Board of Acoustech Berhad on 19 February 2016 as an Executive Director. He was re-designated as the Managing Director of the Company on 17 April 2019. Richard Ong was born in Kluang, Johor, in 1977. He was graduated with Higher Diploma in Architectural from Taylor's College in 1999.

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 has direct interest with 700,400 ordinary shares or 0.36% interest in the Company. He has no family relationship with any of the Directors and/or major shareholder of the Company. Other than Acoustech Berhad, he does not hold any other directorship in public companies or listed issuers in Malaysia. 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 2019.

AHMAD RAHIZAL BIN AMB DATO' AHMAD RASIDI
Executive Director

Nationaility / Gender / Age
Malaysian / Male / 37

Malaysian, male, aged 37, Executive Director, was appointed to the Board of Acoustech Berhad on 24 April 2015 as Senior Independent Non-Executive Director. He was re-designated as the Executive Director of the Company on 31 October 2019. He graduated with a Diploma in Business from International School of Hong Kong and subsequently 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.

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 2019.

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.

SOON KWAI CHOY
Independent Non-Executive Director

Nationaility / Gender / Age
Malaysian / Male / 69

Malaysian, male, aged 69, 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. Other than Acoustech Berhad, he does not hold any other directorship in public companies or listed issuers in Malaysia. 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 2019.

KOH BOON HUAT
Independent Non-Executive Director

Nationaility / Gender / Age
Malaysian / Male / 65

Malaysian, male, aged 65, 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. Other than Acoustech Berhad, he does not hold any other directorship in public companies or listed issuers in Malaysia. 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 2019.

PROFILE OF KEY SENIOR MANAGEMENT

TEE KUAN HONG
Group General Manager

Nationaility / Gender / Age
Malaysian / Male / 36

Malaysian, male, aged 36, 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
General Manager, Property Division

Nationaility / Gender / Age
Malaysian / Male / 35

Malaysian, male, aged 35, 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.

GOH SAY JAUW
Assistant General Manager, Finance & Corporate Affairs

Nationaility / Gender / Age
Malaysian / Male / 47

Malaysian, male, aged 47, 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 at Ipmuda Berhad in 1996, a public listed company primarily involved in trading of building materials. Subsequently, in year 2000, Mr. Goh joined Muda Holdings Berhad, a public listed group of companies that manufacture industrial paper and corrugated boxes and was responsible for group financial reporting, compliance to reporting standards, group budgeting and financial analysis.

In early 2006, Mr. Goh began serving 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. 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 2019.

Chairman

Soon Kwai Choy
Independent Non-Executive Director

Members

Leong Ngai Seng
Non-Independent Non-Executive Chairman
(Appointed on 27 November 2019)

Koh Boon Huat
Independent Non-Executive Director

Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi
Executive Director
(Cessation of office as Senior Independent Non-executive Director subsequent to the re-designation to an Executive Director on 31 October 2019)

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.

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 and audit reports;
    - 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;
    - nomination/ re-appointment of external auditors and 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: -

1. FINANCIAL REPORTING

- Reviewed the unaudited quarterly financial statements before submission to the Board for approval; and
- Reviewed the audited financial statements before submission to the Board for approval.

2. EXTERNAL AUDIT

* External auditors presented the nature and scope of the audit to be carried out.
* 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.
* 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.
* Reviewed the performance of the external auditors and recommended its re-appointment and remuneration to the Board.

3. INTERNAL AUDIT AND RISK MANAGEMENT

* Reviewed the internal audit programs, reports and remedial action taken;
* Assessed the Group's overall system of internal control; and
* Reviewed the Risk Management Report.

MEETINGS

The Audit and Risk Management Committee met five (5) times during the financial year ended 31 December 2019. Details of attendance are as follows:

Name of Committee Member	Attendance
Soon Kwai Choy	5/5
Leong Ngai Seng *(Appointed on 27 November 2019)*	N/A
Koh Boon Huat	5/5
Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi *(Cessation of office as Senior Independent Non-executive Director subsequent to the re-designation to an Executive Director on 31 October 2019)*	4/4

INTERNAL AUDIT FUNCTION

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

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	- Banking systems - Borrowings - Related party transactions - Intercompany transactions - Payroll - Profit recognition (for property development) - Development expenditure capitalised - Review of Joint Venture agreements
JM Cemerlang Sdn Bhd	- Banking systems - Borrowings - Related party transactions - Intercompany transactions - Profit recognition (for property development) - Development expenditure capitalised - Review of Joint Venture agreements
Teras Eco Resources Sdn Bhd	- Related party transactions - Intercompany transactions - Development expenditure capitalised - Review of Joint Venture agreements
TE Hotel Sdn Bhd	- Related party transactions
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 2019.

CORPORATE GOVERNANCE OVERVIEW 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 2019 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 or from independent sources for directorships to be filled;
- Recommend to the Board, directors to fill seats on board committees;
- Review annually the required skills, experience and other qualities and core competencies that Non-Executive Directors should bring to the Board; and
- Assess annually the effectiveness of the Board as a whole, Board Committees 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 two (2) are Independent Non-Executive Directors, one (1) is a Non-Independent Non-Executive Director and two (2) are Executive Directors.

No individual or group of individuals dominates the Board's decision making. 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 2019, seven (7) meetings were held in which the Board deliberated upon and considered various issues including the Group's 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 (Chairman)	7	7
Ong Li Tak	7	7
Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi	7	7
Soon Kwai Choy	7	7
Koh Boon Huat	7	7

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
Leong Ngai Seng (Appointed on 27 November 2019)	Member	N/A
Koh Boon Huat	Member	5/5
Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi (Cessation of office subsequent to the re-designation to an Executive Director on 31 October 2019)	Member	4/4

b) Nomination Committee

Name of Committee Members	Designation	No. of Meetings Attended/ No. of Meetings Held
Leong Ngai Seng (Appointed on 27 November 2019)	Chairman	N/A
Soon Kwai Choy	Member	1/1
Koh Boon Huat	Member	1/1
Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi (Cessation of office subsequent to the re-designation to an Executive Director on 31 October 2019)	Chairman	N/A

c) Remuneration Committee

Name of Committee Members	Designation	No. of Meetings Attended/ No. of Meetings Held
Koh Boon Huat	Chairman	1/1
Soon Kwai Choy	Member	1/1
Leong Ngai Seng (Appointed on 27 November 2019)	Member	N/A
Ahmad Rahizal Bin TYT Dato' Ahmad Rasidi (Cessation of office subsequent to the re-designation to an Executive Director on 31 October 2019)	Member	N/A

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 two 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.

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") 2019 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 Directors:

Leong Ngai Seng (Chairrman) *(Appointed on 27 November 2019)*	-	Non-Independent Non-Executive Chairman *(Re-designated on 31 October 2019)*
Soon Kwai Choy (Member)	-	Independent Non-Executive Director
Koh Boon Huat (Member)	-	Independent Non-Executive Director
Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi (Chairman) *(Cessation of office subsequent to the re-designation to an Executive Director on 31 October 2019)*	-	Executive Director *(Re-designated on 31 October 2019)*

The Nomination Committee comprises exclusively of Non-Executive Directors, a majority of whom are Independent Directors.

During the financial year under review, the Committee met once 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 .

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 2019, 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 2019, the Directors have attended the following training programmes to further enhance their skills and knowledge to keep abreast with the latest regulatory changes relevant to the Company's business. However, due to extensive traveling and overwhelming work schedule throughout the year, Mr. Ong Li Tak and En. Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi did not manage to attend any training.

Directors	Training attended	Date
Leong Ngai Seng	Session on Corporate Governance and Anti-Corruption	31 October 2019
Ong Li Tak	-	-
Soon Kwai Choy	Conversation with Audit Committees by Audit Oversight Board, Securities Commission Malaysia	22 November 2019
Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi	-	-
Koh Boon Huat	Conversation with Audit Committees by Audit Oversight Board, Securities Commission Malaysia	22 November 2019

Remuneration Committee

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)	-	Independent Non-Executive Director
Leong Ngai Seng (Member) *(Appointed on 27 November 2019)*	-	Non-Independent Non-Executive Chairman *(Re-designated on 31 October 2019)*
Soon Kwai Choy (Member)	-	Independent Non-Executive Director
Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi (Member) *(Cessation of office subsequent to the re-designation to an Executive Director on 31 October 2019)*	-	Executive Director *(Re-designated on 31 October 2019)*

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.

Directors Remuneration

For the financial year ended 31 December 2019, 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. Ong Li Tak	387	44	42	-	24	497
2. Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi *(Appointed on 31 October 2019)*	33	-	42	29	-	104
Non-Executive Director						
1. Leong Ngai Seng *(Re-designated on 31 October 2019)*	263	-	63	-	24	350
2. Soon Kwai Choy	-	-	42	45	-	87
3. Koh Boon Huat	-	-	42	38	-	80

Sustainability

Sustainability is encouraged within the Group's corporate culture. The Sustainability Statement of the Group for the reporting period January 2019 to December 2019 set out on page 36 of this Annual Report and explains the Group's practices, ideas and activities carried.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit and Risk Management Committee

The Group Audit and Risk Management Committee comprise one Non-Independent Non-Executive Director and two 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 17 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.

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 31 to 35 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 20 of this Annual Report.

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

Financial Reporting

The Board aims to provide and present a balanced and clear assessment of the Group's 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. In respect of the Annual Report for financial year ended 31 December 2019, the Government has given an extension of time of 2 months due to Covid-19 pandemic. 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 and the poll results are verified by independent scrutineer.

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
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.

Audit and Non-audit Fees
The amount of audit and non-audit fees paid to external auditors and its affiliated company during the financial year ended 31 December 2019 are as follow:

	Group RM	Company RM
Audit fees	89,500	38,000
Non-audit fees	3,200	3,200
Other service	4,200	4,200

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 30 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 2019, 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.

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.

- **Managing Director**

  The MD 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)**

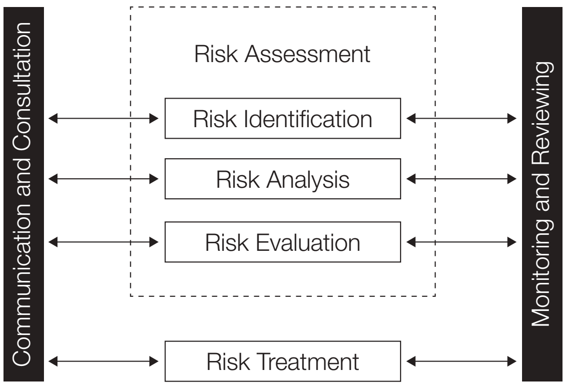
  HIA will be responsible for developing the framework and laying the groundwork for the successful implementation of the groupwide risk management process. He will also coordinate with the designated officers or their representatives to ensure a smooth implementation of the risk assessment exercise and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

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.

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

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

SUSTAINABILITY STATEMENT

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.

(I) Governance Structure in Place

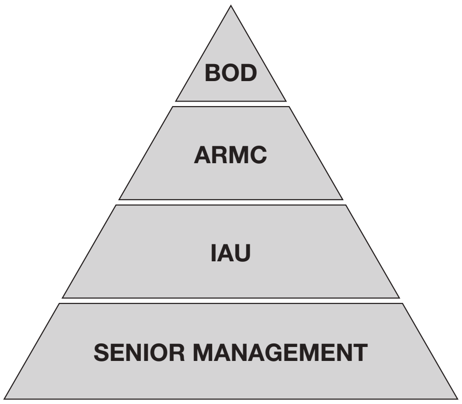
Reporting Structure

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.

Delegation of function

The Group recognises and is committed to uphold good corporate governance as it is an essential factor that has significant impact on sustainability of the Group's operations in the long run. In implementing the study on economic and environmental core areas, the Group has delegated the relevant duties to senior management who are expected to provide necessary information and to work closely with the 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 ("BOD") 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 BOD 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 BOD 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 2019 in respect of each of those categories of stakeholders are summarised as follows:

Stakeholder	Key engagements in 2019	Frequency
Customers	After sales service. Defect liability period.	Ongoing Ongoing
Employees	Periodic discussions.	Ongoing
Shareholders	Annual General Meeting. Interim results.	Annually Quarterly
Investors and lenders	Meetings with investors. Meetings with bankers.	Occasional Periodic
Government / regulators	Meetings. Written communication.	Regular Periodic
Local communities	Hosting of charity events.	Occasional
Consultants / Contractors	Meetings with consultants and contractors.	Regular
Media	Press releases and media coverage.	Occasional

(a) 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 donated to three associations namely Persatuan Kebajikan Kanak-kanak Terencat Akal Malaysia, Kelab Kebajikan Amal Selatan Johor Bahru, and Jeremiah Welfare Charity Society Johor Bahru.

(b) Publicity and branding for the Group

The Group ventured into property development in 2015 via the acquisition of TESB and JMC. Over the years, the Group has since completed its maiden project, Senibong 88, which comprised 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 at the final stage of completion of development of Phase 1 in Desa 88 in Plentong, Johor Bahru which comprise 40 units of terrace factories. The Group aims to launch Desa 88 Phase 2 terrace factories later this year. In 2018, the Group has further its presence in the development industry by venturing into Melaka by successfully completing the acquisition of the development rights and interest in a proposed block of 44-storey service apartments (Block C) in the district of Melaka Tengah, Melaka, vide a Development Rights Agreement entered with Jaya Mapan Sdn. Bhd. (“JMSB”). The acquisition marked the Group’s first footprint in development of residential property.

In July 2019, the Company incorporated a wholly-owned subsidiary, TE Hotel Sdn. Bhd. (“TEHSB”) with the principal business of hotel and resort hotels, property development, project management and construction related works. The incorporation of the new subsidiary was to facilitate the Group’s entering into a Development Agreement with JMSB for the proposed development of a 16-storey hotel known as Block A Hotel located in the same mixed development site with Block C service apartments in the district of Melaka Tengah, Melaka.

Another wholly owned subsidiary Teras Eco Resources Sdn. Bhd. (“TERSB”) had in December 2017 entered into two Memorandum of Understanding (“MOUs”) with Innocashz (M) Sdn. Bhd. (“Innocashz”) and Goldsand JV Sdn. Bhd. (“Goldsand’) for the proposed development of a hotel in Kawasan Bandar XLI, District of Melaka Tengah and residential properties in Mukim Krubong, District of Melaka Tengah respectively.

As a progression from the MOUs entered, TERSB had in May 2019 entered into two Development Rights Agreements ("DRAs") with Innocashz and Goldsand to develop a proposed 110-room hotel and a mixture of apartments and landed resort villa in the respective land. The execution of the DRAs showcased the Group's commitment towards the two projects. With the correct timing for launch these projects, the Group believes the prospects of the two said projects will generate encouraging recurring revenue and profits to spur growth.

Separately in Pasir Gudang, Johor, TESB had also entered into a Joint Venture Agreement ("JVA") with Sun Rock Development Sdn. Bhd. ("SRD"), a subsidiary of Protasco Berhad, for the proposed development of 66 units of double and three storey shop offices of which 17 units will be surrendered to SRD as Owner's Entitlement. The project code-named Sentrio is nestled within a matured and vibrant commercial centre, the Group is confident it will take off as planned later in the current year.

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.

The ongoing mixed development project in Kota Syahbandar Melaka, which includes high-rise apartments, hotel, shops and retail units presents the Group with realistic opportunity for the Group to yield results without gestation period as the authorities' approvals have already been obtained. Although the Group is only involved in development of a block of apartments and a hotel, the Group enjoys the benefits arising from synergy of the two proposed components with the shared facilities such as the surface and elevated parking spaces, access to the courtyard and the retails spaces which are expected to attract visitors to the area. The amenities provided includes a dedicated swimming pool for the hotel, open area for alfresco dining, functions or events, and a courtyard that is designed to bring vibrant activities and life to the development. On premise of a good mix of business activities, the development will create an environment that enables a self-sustained living.

The project Sentrio in Plentong, Johor is nestled in a mature commercial environment. This could spur neighbour vibrancy as the new 66 units of double storey and three storey shop offices adds to the business activities in the vicinity and complements existing businesses and lifestyle.

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 lower-mid range price band.

(II) Scope and Basis

The Group's Sustainability Statement covers its functions at its Corporate Office in Petaling Jaya and its development and construction activities in Johor and Melaka. The elaboration of our projects is aimed at providing added information in relation to our sustainability performance. The Group's sustainability Statement is guided by Bursa Malaysia Securities Berhad's Sustainability Reporting Guide and premised upon the evaluation of the economic and environmental risks and opportunities coexistent with the Company's corporate governance framework. The Group believes sustainable corporate success relies on high standard of corporate behaviour and taking into consideration public expectations on economic and environmental responsibilities.

(III) Material Sustainability Matters

In order to implement meaningful sustainability strategies, the Group depended on good understanding of our economic and environmental priority areas. By performing material assessments over the recent years, the key priority areas that are relevant to our business and stakeholders were outlined.

The following have 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 venture with 3rd parties to mitigate carrying-cost financial risk. Construction costs are negotiated well and on fixed price basis in advance to mitigate future fluctuations.

(A) Economic (continued):

Key Areas	Risks	Action Plans
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 back 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.

(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.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

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	1,586,142	3,053,660
Loss attributable to owners of the parent	1,586,142	3,053,660

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 the payment of any 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

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

TREASURY SHARES

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 18 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

Acoustech Berhad

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

Subsidiaries of Acoustech Berhad

Leong Ngai Seng
Ong Li Tak
Tee Kuan Hong

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 2019 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 1.1.2019**	**Bought**	**Sold**	**Balance as at 31.12.2019**
Direct interests				
Leong Ngai Seng	4,545,956	-	-	4,545,956
Soon Kwai Choy	400,000	-	-	400,000
Ong Li Tak	-	700,400	-	700,400
Indirect interests				
Leong Ngai Seng	28,468,186	-	-	28,468,186
Soon Kwai Choy*	610,000	-	-	610,000

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

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

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits 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 30 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 26 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS OR 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 have satisfied themselves that there are no known bad debts to be 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 necessitate the writing off of bad debts or render 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.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued)

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

(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 this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 33 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant events subsequent to the end of the reporting period are disclosed in Note 34 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 2019 are disclosed in Note 26 to the financial statements.

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

....
Leong Ngai Seng
Director

....
Ong Li Tak
Director

Johor Bahru
28 May 2020

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 53 to 108 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 2019 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

Johor Bahru
28 May 2020

STATUTORY DECLARATION

I, Ong Li Tak, being the Director primarily responsible for the financial management of Acoustech Berhad, do solemnly and sincerely declare that the financial statements set out on pages 53 to 108 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	)	
Johor Bahru, Johor this	)	
28 May 2020	)	**Ong Li Tak**

Before me:

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 2019 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 53 to 108.

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 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards 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. 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.

Key Audit Matters (continued)

Key Audit Matters of the Group

(a) Impairment assessment of the carrying amounts of goodwill

As at 31 December 2019, 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 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.

Audit response

Our audit procedures included the following:

(i) compared cash flow projections against recent performance and assessed and evaluated 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 the reasonableness of the pre-tax discount rate by comparing to market data and relevant risk factors; and

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

(b) Revenue recognition for property development

Revenue from property development of the Group recognised over time for the financial year ended 31 December 2019 amounted to RM14,929,649 as disclosed in Note 23 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.

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

Key Audit Matters (continued)

Key Audit Matters of the Group (continued)

(b) Revenue recognition for property development (continued)

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 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;

(iv) compared estimated total cost to actual outcomes to assess the reliability of management's budgeting process; and

(v) performed site visits to assess the status of the property development.

(c) Impairment on amount owing by an associate

As at 31 December 2019, the net carrying amount of amount owing by an associate of the Group and of the Company amounted to RM2,605,535 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) evaluated management's basis for determining cash flows recoverable, where applicable;

(iii) 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; and

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

Key Audit Matters (continued)

Key Audit Matters of the Company

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

As at 31 December 2019, the net carrying amounts of investments in subsidiaries amounted to RM86,182,760 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 judgement 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.

Audit response

Our audit procedures included the following:

(i) compared cash flow projections against recent performance and assessed and evaluated 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 the reasonableness of the pre-tax discount rate by comparing to market data and relevant risk factors; and

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

(b) Impairment assessment of amounts owing by subsidiaries

As at 31 December 2019, the net carrying amounts of amounts owing by subsidiaries of the Company amounted to RM8,681,154, 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) evaluated management's basis for determining cash flows recoverable, where applicable;

(iii) 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; and

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

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 or 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 Malaysian Financial Reporting Standards, International Financial Reporting Standards 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 International Standards on Auditing 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 International Standards on Auditing, 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.

to the members of Acoustech Berhad
(Incorporated in Malaysia)

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

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

(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 the 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

Sia Yeak Hong
03413/02/2021 J
Chartered Accountant

Johor Bahru
28 May 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
ASSETS					
Non-current assets					
Property, plant and equipment	6	946,385	1,271,456	181,051	735,593
Right-of-use assets	7	1,029,196	-	390,616	-
Investment property	8	2,500,000	2,500,000	-	-
Goodwill	9	21,469,424	21,469,424	-	-
Investments in subsidiaries	10	-	-	86,182,760	86,212,759
Investment in an associate	11	48,339	-	-	-
Other receivables	14	2,605,535	3,254,032	10,212,451	10,860,948
		28,598,879	28,494,912	96,966,878	97,809,300
Current assets					
Inventories	12	83,811,684	70,859,286	-	-
Trade and other receivables	14	15,482,440	25,741,737	3,519,054	5,755,674
Contract assets	15	784,704	3,741,998	-	-
Current tax assets		232,117	1,258,534	200	564
Cash and bank balances	16	2,269,416	4,974,589	1,642	26,903
		102,580,361	106,576,144	3,520,896	5,783,141
TOTAL ASSETS		131,179,240	135,071,056	100,487,774	103,592,441

as at 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	17	99,502,858	99,502,858	99,502,858	99,502,858
Treasury shares	18	(92,187)	(92,187)	(92,187)	(92,187)
Retained earnings/(Accumulated loss)		1,577,086	3,163,228	(768,675)	2,284,985
TOTAL EQUITY		100,987,757	102,573,899	98,641,996	101,695,656
LIABILITIES					
Non-current liabilities					
Borrowings	20	15,875,970	6,582,227	-	446,541
Lease liabilities	7	761,471	-	356,250	-
Deferred tax liabilities	13	739,571	625,963	739,571	625,963
		17,377,012	7,208,190	1,095,821	1,072,504
Current liabilities					
Trade and other payables	21	10,303,798	13,558,362	635,029	745,864
Contract liabilities	15	1,355,141	4,799,830	-	-
Lease liabilities	7	316,460	-	114,928	-
Current tax liabilities		298,902	-	-	-
Borrowings	20	540,170	6,930,775	-	78,417
		12,814,471	25,288,967	749,957	824,281
TOTAL LIABILITIES		30,191,483	32,497,157	1,845,778	1,896,785
TOTAL EQUITY AND LIABILITIES		131,179,240	135,071,056	100,487,774	103,592,441

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 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Revenue	23	15,017,246	36,089,838	-	-
Cost of sales	24	(10,018,730)	(32,842,048)	-	-
Gross profit		4,998,516	3,247,790	-	-
Other income		1,390,264	384,824	473,365	762,549
Selling and distribution costs		(312,505)	(434,953)	-	-
Administrative expenses		(5,285,795)	(5,044,853)	(2,340,463)	(2,630,662)
Other expenses		(1,367,514)	(5,323,501)	(1,039,983)	(3,508,528)
Finance costs	25	(146,056)	(43,490)	(32,971)	(31,668)
Share of profit of an associate, net of tax	11	48,339	-	-	-
Loss before tax	26	(674,751)	(7,214,183)	(2,940,052)	(5,408,309)
Tax expense	27	(911,391)	(408,416)	(113,608)	(178,982)
Loss for the financial year		(1,586,142)	(7,622,599)	(3,053,660)	(5,587,291)
Other comprehensive income		-	-	-	-
Total comprehensive loss, net of tax		(1,586,142)	(7,622,599)	(3,053,660)	(5,587,291)
Loss per ordinary share attributable to equity holders of the Company (sen)					
Basic and diluted	28	(0.82)	(4.48)		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		← Non-distributable	→	Distributable	
Group	**Note**	**Share capital RM**	**Treasury shares RM**	**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		-	-	(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 income, net of tax		-	-	-	-
Total comprehensive loss		-	-	(7,622,599)	(7,622,599)
Transactions with owners					
Ordinary shares issued pursuant to:					
- Private placement	17	1,499,750	-	-	1,499,750
- Direct Business Transaction	17	5,344,401	-	-	5,344,401
Reissue of treasury shares	18	(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
Balance as at 1 January 2019		99,502,858	(92,187)	3,163,228	102,573,899
Loss for the financial year		-	-	(1,586,142)	(1,586,142)
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive loss		-	-	(1,586,142)	(1,586,142)
Balance as at 31 December 2019		99,502,858	(92,187)	1,577,086	100,987,757

for the financial year ended 31 December 2019

		◄ Non-distributable	►	Distributable	
Company	**Note**	**Share capital RM**	**Treasury shares RM**	**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		-	-	(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 income, net of tax		-	-	-	-
Total comprehensive loss		-	-	(5,587,291)	(5,587,291)
Transactions with owners					
Ordinary shares issued pursuant to:					
- Private placement	17	1,499,750	-	-	1,499,750
- Direct Business Transaction	17	5,344,401	-	-	5,344,401
Reissue of treasury shares	18	(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
Balance as at 1 January 2019		99,502,858	(92,187)	2,284,985	101,695,656
Loss for the financial year		-	-	(3,053,660)	(3,053,660)
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive loss		-	-	(3,053,660)	(3,053,660)
Balance as at 31 December 2019		99,502,858	(92,187)	(768,675)	98,641,996

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(674,751)	(7,214,183)	(2,940,052)	(5,408,309)
Adjustments for:					
Depreciation of property, plant and equipment	6	154,348	264,051	51,418	204,827
Depreciation of right-of-use assets	7	394,976	-	273,826	-
Gain on fair valuation of short term funds		-	(57)	-	(57)
Loss on revaluation of investment property	8	-	300,000	-	-
Property, plant and equipment written off	6	67,355	-	-	-
Income distribution from short term funds		-	(241)	-	(241)
Interest expense		139,387	38,568	32,689	29,976
Interest income		-	(24,580)	-	(16,491)
Interest income from an associate		(171,503)	(101,075)	(171,503)	(101,075)
Interest income from subsidiaries		-	-	(301,862)	(644,685)
Impairment losses on:					
- goodwill		-	2,000,000	-	-
- other receivables	14(n)	600,000	1,000,000	-	-
- trade receivables	14(f)	-	22,640	-	-
Impairment on amounts owing by:					
- subsidiaries		-	-	210,754	1,365,466
- an associate		-	588,398	-	588,398
Impairment of investment in a subsidiary	10(g)	-	-	30,000	830,000
Reversal of impairment losses on:					
- trade receivables	14(f)	(2,181)	(105,964)	-	-
- other receivables	14(n)	(1,000,000)	-	-	-
Share of profit of an associate, net of tax	11	(48,339)	-	-	-
Operating loss before changes in working capital		(540,708)	(3,232,443)	(2,814,730)	(3,152,191)
Changes in working capital:					
Inventories		(12,042,324)	(16,903,063)	-	-
Trade and other receivables		12,995,278	3,935,482	186,058	21,052
Contract assets		2,957,294	(3,741,998)	-	-
Trade and other payables		(3,254,564)	(2,266,474)	(110,835)	142,634
Contract liabilities		(3,444,689)	4,799,830	-	-
Cash used in operations		(3,329,713)	(17,408,666)	(2,739,507)	(2,988,505)
Tax paid		(483,190)	(1,152,350)	(200)	(564)
Tax refunded		1,010,725	2,000	564	2,000
Net cash used in operating activities		(2,802,178)	(18,559,016)	(2,739,143)	(2,987,069)

for the financial year ended 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Additional investments in subsidiaries		-	-	(1)	(20,000,002)
Advances to an associate		(1,751,503)	(2,356,075)	(1,751,503)	(2,356,075)
Advances to subsidiaries		-	-	-	(907,712)
Income distribution received from short term funds		-	298	-	298
Interest received		-	24,580	-	16,491
Interest income from an associate		171,503	101,075	171,503	101,075
Interest income from subsidiaries		-	-	301,862	644,685
Purchase of property, plant and equipment	6	(583,079)	(202,474)	(2,749)	-
Proceeds from disposal of a subsidiary, net of cash and cash equivalents	19	-	5,713,400	-	10,600,000
Repayments from subsidiaries		-	-	4,215,008	-
Net cash (used in)/from investing activities		(2,163,079)	3,280,804	2,934,120	(11,901,240)
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of bank loans		10,456,293	5,983,338	-	-
Proceeds from ordinary shares issued pursuant to:					
- private placement		-	1,499,750	-	1,499,750
- direct business transaction		-	5,344,401	-	5,344,401
Payment of lease liabilities	7	(355,799)	-	(220,238)	-
Repayments of:					
- hire purchase creditors		-	(105,243)	-	(80,802)
- bank loans		(6,848,744)	(8,390,496)	-	-
Interest paid		(991,666)	(1,034,022)	-	(29,976)
Net cash from/(used in) financing activities activities		2,260,084	3,297,728	(220,238)	6,733,373
Net decrease in cash and cash equivalents		(2,705,173)	(11,980,484)	(25,261)	(8,154,936)
Cash and cash equivalents at beginning of of financial year		4,974,589	16,955,073	26,903	8,181,839
Cash and cash equivalents at end of financial year	16	2,269,416	4,974,589	1,642	26,903

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	Lease liabilities (Note 7) RM	Bank loans (Note 20) RM	Hire purchase creditors (Note 20) RM
At 1 January 2019, as previously reported	-	12,808,591	704,411
Effects of adoption of MFRS 16 (Note 4.1)	808,108	-	(704,411)
At 1 January 2019, as restated	808,108	12,808,591	-
Cash flows	(355,799)	3,607,549	-
Non-cash flows:			
- Additions	567,829	-	-
- Unwinding of interest	57,793	-	-
At 31 December 2019	1,077,931	16,416,140	-
At 1 January 2018	-	15,215,749	722,277
Cash flows	-	(2,407,158)	(105,243)
Non cash flows			
- Purchase of equipment (Note 6(c))	-	-	87,377
At 31 December 2018	-	12,808,591	704,411
Company			
At 1 January 2019, as previously reported	-	-	524,958
Effects of adoption of MFRS 16 (Note 4.1)	628,655	-	(524,958)
At 1 January 2019, as restated	628,655	-	-
Cash flows	(220,238)	-	-
Non-cash flows			
- Additions	30,072	-	-
- Unwinding of interest	32,689	-	-
At 31 December 2019	471,178	-	-
At 1 January 2018	-	-	605,760
Cash flows	-	-	(80,802)
At 31 December 2018	-	-	524,958

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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 2019 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.

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 to the financial statements.

The Group and the Company applied MFRS 16 *Leases* for the first time during the current financial year, using the cumulative effect method as at 1 January 2019. 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.

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

4. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

4.1 New MFRSs adopted during the financial year

The Group and the 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
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

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 16 as described in the following sections.

MFRS 16 *Leases*

MFRS 16 supersedes MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have a material impact for leases for which the Group and the Company are the lessor.

The Group and the Company applied MFRS 16 using the modified retrospective approach, under which the Group and the Company have chosen to measure the right-of-use assets equals to the lease liabilities at 1 January 2019. Accordingly, the comparative information presented is not restated.

On adoption of MFRS 16, the Group and the Company recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group and of the Company as of 1 January 2019. The incremental borrowing rate of the Group and of the Company applied to the lease liabilities on 1 January 2019 was 6.85%.

In order to compute the transition impact of MFRS 16, a significant data extraction exercise was undertaken by management to summarise all property and equipment lease data such that the respective inputs could be uploaded into management's model. The incremental borrowing rate method has been adopted where the implicit rate of interest in a lease is not readily determinable.

For leases previously classified as finance leases, the Group and the Company recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability respectively at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

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

4.1 New MFRSs adopted during the financial year (continued)

MFRS 16 *Leases* (continued)

In applying MFRS 16 for the first time, the Group and the Company have used the following practical expedients permitted by the standard:

(a) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
(b) Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019;
(c) Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 and do not contain a purchase option as short-term leases;
(d) Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
(e) Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The impact on transition to MFRS 16 of the Group and of the Company are summarised below:

Group	Note	As at 31 December 2018 RM	Impact RM	As at 1 January 2019 RM
Property, plant and equipment		1,271,456	(686,447)	585,009
Deposits		11,885,424	(17,000)	11,868,424
Right-of-use assets		-	807,144	807,144
Borrowings		(13,513,002)	704,411	(12,808,591)
Lease liabilities	(a)	-	(808,108)	(808,108)
Company				
Property, plant and equipment		735,593	(505,873)	229,720
Deposits		229,600	(17,000)	212,600
Right-of-use assets		-	626,570	626,570
Borrowings		(524,958)	524,958	-
Lease liabilities	(a)	-	(628,655)	(628,655)

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

4.1 New MFRSs adopted during the financial year (continued)

MFRS 16 *Leases* (continued)

(a) Lease liabilities are measured as follows:

	Group RM
Operating lease commitments at 31 December 2018 as disclosed under MFRS 117 (Note 22)	521,334
Weighted average incremental borrowing rate as at 1 January 2019	6.85%
Discounted operating lease commitments as at 1 January 2019	461,424
Finance lease liabilities recognised as at 31 December 2018	704,411
Recognition exemption for leases with less than 12 months of lease term at transition	(357,727)
Lease liabilities recognised at 1 January 2019 (Note 7)	808,108

	Company RM
Operating lease commitments at 31 December 2018 as disclosed under MFRS 117 (Note 22)	140,000
Weighted average incremental borrowing rate as at 1 January 2019	6.85%
Discounted operating lease commitments as at 1 January 2019	103,697
Finance lease liabilities recognised as at 31 December 2018	524,958
Lease liabilities recognised at 1 January 2019 (Note 7)	628,655

4.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

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

Title	**Effective Date**
Amendments to 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
Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*	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 the Company are in the process of assessing the impact of implementing these Standards, since the effects would only be observable in future financial years.

5. OPERATING SEGMENTS

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

Acoustech Berhad has arrived at two (2) (2018: two (2)) 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.

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

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

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

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

No geographical segment analysis is reported as the Group only operates in Malaysia.

5. OPERATING SEGMENTS (continued)

2019	Property development and construction division RM	Investment holding division RM	Total RM
Revenue			
Total revenue	15,017,246	-	15,017,246
Inter-segment revenue	-	-	-
Revenue from external customers	15,017,246	-	15,017,246
Interest income	-	171,503	171,503
Interest expense	(106,698)	(32,689)	(139,387)
Net interest (expense)/income	(106,698)	138,814	32,116
Results			
Segment profit/(loss) before tax	2,278,071	(2,952,822)	(674,751)
Assets			
Segment assets	125,275,124	5,671,999	130,947,123
Liabilities			
Segment liabilities	28,046,803	1,106,207	29,153,010
Other information			
Capital expenditure	580,330	2,749	583,079
Depreciation of property, plant and equipment	102,930	51,418	154,348
Depreciation of right-of-use assets	121,150	273,826	394,976
Impairment loss on other receivables	600,000	-	600,000
Reversal of impairment loss on other receivables	(1,000,000)	-	(1,000,000)

5. OPERATING SEGMENTS (continued)

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
Impairment loss on other receivables	1,000,000	-	1,000,000

5. OPERATING SEGMENTS (continued)

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

	2019 RM	2018 RM
Loss for the financial year		
Total loss before tax for reportable segments	(674,751)	(7,214,183)
Tax expense	(911,391)	(408,416)
Loss for the financial year	(1,586,142)	(7,622,599)
Assets		
Total assets for reportable segments	130,947,123	133,812,522
Current tax assets	232,117	1,258,534
Group's assets	131,179,240	135,071,056
Liabilities		
Total liabilities for reportable segments	29,153,010	31,871,194
Current tax liabilities	298,902	-
Deferred tax liabilities	739,571	625,963
Group's liabilities	30,191,483	32,497,157

Major customer

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

	Revenue 2019 %	 2018 %	Segment
Customer A	-	69.56	Property development and construction division

6. PROPERTY, PLANT AND EQUIPMENT

Group 2019	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 RM	Additions RM	Written off RM	Depreciation charge for the financial year RM	Balance as at 31.12.2019 RM
Carrying amount						
Office equipment	116,385	-	17,432	(17,262)	(18,571)	97,984
Furniture and fittings	66,974	-	333,370	(635)	(55,297)	344,412
Motor vehicles	705,697	(686,447)	-	-	(2,200)	17,050
Renovations and installations	302,235	-	150,973	(24,624)	(51,431)	377,153
Signboard	-	-	15,000	-	(1,250)	13,750
Computers	80,165	-	66,304	(24,834)	(25,599)	96,036
	1,271,456	(686,447)	583,079	(67,355)	(154,348)	946,385

	At 31.12.2019		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Office equipment	125,112	(27,128)	97,984
Furniture and fittings	474,828	(130,416)	344,412
Motor vehicles	22,000	(4,950)	17,050
Renovations and installations	477,802	(100,649)	377,153
Signboard	15,000	(1,250)	13,750
Computers	173,082	(77,046)	96,036
	1,287,824	(341,439)	946,385

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	At 31.12.2018		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
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

Company 2019	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 31.12.2019 RM
Carrying amount					
Office equipment	7,622	-	-	(2,980)	4,642
Furniture and fittings	47,019	-	-	(18,808)	28,211
Motor vehicles	505,873	(505,873)	-	-	-
Renovations and installations	167,935	-	-	(22,382)	145,553
Computers	7,144	-	2,749	(7,248)	2,645
	735,593	(505,873)	2,749	(51,418)	181,051

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	At 31.12.2019 Cost RM	Accumulated depreciation RM	Carrying amount RM
Office equipment	14,902	(10,260)	4,642
Furniture and fittings	94,038	(65,827)	28,211
Renovations and installations	223,819	(78,266)	145,553
Computers	29,522	(26,877)	2,645
	362,281	(181,230)	181,051

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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

(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 any accumulated impairment losses.

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

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

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Purchase of property, plant and equipment	583,079	289,851	2,749	-
Financed by hire purchase arrangements	-	(87,377)	-	-
Cash payments on purchase of property, plant and equipment	583,079	202,474	2,749	-

(d) 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Motor vehicles	-	686,447	-	505,873

Details of the hire purchase arrangements are disclosed in Note 20 to the financial statements.

7. LEASES

The Group and the Company as lessee

Group

(i) Right-of-use assets

Carrying amount	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 RM	Additions RM	Depreciation RM	Balance as at 31.12.2019 RM
Office buildings	-	120,697	617,028	(218,609)	519,116
Motor vehicles	-	686,447	-	(176,367)	510,080
	-	807,144	617,028	(394,976)	1,029,196

(ii) Lease liabilities

Carrying amount	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 RM	Additions RM	Lease payments RM	Interest expense RM	Balance as at 31.12.2019 RM
Office buildings	-	103,697	567,829	(207,005)	23,056	487,577
Motor vehicles	-	704,411	-	(148,794)	34,737	590,354
	-	808,108	567,829	(355,799)	57,793	1,077,931

Represented by:	2019 RM
Current liabilities	316,460
Non-current liabilities	761,471
	1,077,931
Lease liabilities owing to financial institutions	590,354
Lease liabilities owing to non-financial institutions	487,577
	1,077,931

7. LEASES (continued)

The Group and the Company as lessee (continued)

Company

(i) Right-of-use assets

Carrying amount	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 RM	Addition RM	Depreciation RM	Balance as at 31.12.2019 RM
Office buildings	-	120,697	37,872	(122,083)	36,486
Motor vehicles	-	505,873	-	(151,743)	354,130
	-	626,570	37,872	(273,826)	390,616

(ii) Lease liabilities

Carrying amount	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 RM	Addition RM	Lease payments RM	Interest expense RM	Balance as at 31.12.2019 RM
Office buildings	-	103,697	30,072	(107,600)	5,803	31,972
Motor vehicles	-	524,958	-	(112,638)	26,886	439,206
	-	628,655	30,072	(220,238)	32,689	471,178

Represented by:	2019 RM
Current liabilities	114,928
Non-current liabilities	356,250
	471,178
Lease liabilities owing to financial institutions	439,206
Lease liabilities owing to non-financial institutions	31,972
	471,178

7. LEASES (continued)

The Group and the Company as lessee (continued)

(a) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets of the end of the lease term. The lease terms of right-of-use assets are as follows:

Buildings	1.25 - 3 years
Motor vehicles	7 years

(b) The Group has certain leases of office and equipment with lease term of 12 months or less. The Group applies the "short-term lease" exemptions for these leases.

(c) The Group leases several lease contracts that include extension and termination options. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

(d) The following are the amounts recognised in profit or loss:

	2019 Group RM	2019 Company RM
Depreciation charge of right-of-use assets (included in administrative expenses)	394,976	273,826
Interest expense on lease liabilities (included in finance costs)	57,793	32,689
Expenses relating to short-term leases (included in administrative expenses)	100,066	-
	552,835	306,515

(e) The following table sets out the carrying amounts, the weighted average incremental borrowing rates and the remaining maturities of the lease liabilities of the Group and of the Company that are exposed to interest rate risk:

Group 31 December 2019	**Weighted average incremental borrowing rate per annum %**	**Within 1 year RM**	**1 - 2 years RM**	**2 - 5 years RM**	**More than 5 years RM**	**Total RM**
Lease liabilities						
Fixed rates	5.93	316,460	310,465	451,006	-	1,077,931

Company 31 December 2019	**Weighted average incremental borrowing rate per annum %**	**Within 1 year RM**	**1 - 2 years RM**	**2 - 5 years RM**	**More than 5 years RM**	**Total RM**
Lease liabilities						
Fixed rates	5.16	114,928	95,243	261,007	-	471,178

7. LEASES (continued)

The Group and the Company as lessee (continued)

(f) The table below summarises the maturity profile of the lease liabilities of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations as follows:

Group **31 December 2019**	**On demand or within one year RM**	**One to five years RM**	**Over five years RM**	**Total RM**
Lease liabilities	367,333	819,375	-	1,186,708

Company **31 December 2019**	**On demand or within one year RM**	**One to five years RM**	**Over five years RM**	**Total RM**
Lease liabilities	133,567	387,583	-	512,150

8. INVESTMENT PROPERTY

Group	**Balance as at 1.1.2019 RM**	**Fair value adjustment RM**	**Balance as at 31.12.2019 RM**
Investment property	2,500,000	-	2,500,000

	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

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

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 value of the Group's investment property as of 31 December 2019 has been arrived at on the basis of an update valuation carried out at that date by an independent valuer, based on a full valuation carried out as of 31 December 2018 by the same valuer, which has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value of the investment property was determined using comparison method and therefore is categorised as Level 3 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.

Significant unobservable valuation inputs used in the comparison method are as follows:

	Group	
	2019	**2018**
Price per square foot for industrial building	RM283 to RM342 per square foot	RM283 to RM342 per square foot

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

	Group	
	2019 RM	**2018 RM**
Quit rent and assessment	16,903	16,720

9. GOODWILL

	Group	
	2019 RM	**2018 RM**
At 1 January, at cost	23,469,424	23,469,424
Less: Accumulated impairment loss	(2,000,000)	(2,000,000)
At 31 December	21,469,424	21,469,424

(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.

9. GOODWILL (continued)

(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) (2018: five (5)) years business plans.

(ii) Pre-tax discount rate of 8% (2018: 8%).

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 due to declining business operations. The impairment losses were allocated fully to goodwill.

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	
	2019	**2018**
	RM	**RM**
Unquoted shares - at cost	87,042,760	87,042,759
Less: Impairment losses	(860,000)	(830,000)
	86,182,760	86,212,759

(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 2019 %	2018 %	Principal activities
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	100	Property development, project management and construction related works
TE Hotel Sdn. Bhd. ("TEH")#	100	-	Construction, development and leisure holding company

Subsidiaries audited by BDO PLT Malaysia.

(d) During the financial year, the Company incorporated a new wholly-owned subsidiary, TEH, with an issued and paid-up share capital of RM1.

(e) In previous financial year, additional investments in subsidiaries were 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.

(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) In the previous financial years, 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 19 to the financial statements. The recoverable amount of this subsidiary was based on the fair value less costs of disposal. The disposal was completed in financial year ended 31 December 2018.

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

	Company 2019 RM	2018 RM
At 1 January	830,000	15,522,351
Charge for the financial year	30,000	830,000
Write off	-	(15,522,351)
At 31 December	860,000	830,000

11. INVESTMENT IN AN ASSOCIATE

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 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	(77,296)	(125,635)	-	-
Impairment loss	-	-	(600,000)	(600,000)
	48,339	-	-	-

(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 Company 2019 %	Interest in equity held by Company 2018 %	Principal activities
Harum Eco Dormitory Sdn. Bhd. ("HED") *	30	30	Property development, investment, rental and leasing.

* *Associate not audited by BDO PLT Malaysia.*

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

	2019 RM	2018 RM
Carrying amounts	48,339	-
Share of results for the financial year		
Share of profit or loss	48,339	-
Share of other comprehensive income	-	-
Share of total comprehensive income	48,339	-

11. INVESTMENT IN AN ASSOCIATE (continued)

(d) Unrecognised share of losses of an associate

	2019 RM	2018 RM
The unrecognised share of loss of an associate for the year	-	(1,093,374)
Cumulative share of loss of an associate	(1,441,942)	(1,490,281)

12. INVENTORIES

	Note	Group 2019 RM	Group 2018 RM
Non-current assets			
Land held for property development	12(a)(i)	-	-
Current assets			
Property development costs	12(a)(ii)	81,939,639	68,987,241
Completed properties held for sale		1,872,045	1,872,045
		83,811,684	70,859,286
Total inventories		83,811,684	70,859,286

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

(i) Land held for property development

Group 2019	Freehold land RM	Development costs RM	Total RM
At cost			
At beginning/end of year	-	-	-
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	-	-	-

12. INVENTORIES (continued)

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

(ii) Property development costs

Group 2019	Freehold land, at cost RM	Development costs RM	Total RM
Cumulative property development costs			
Balance as at 1 January 2019	38,968,060	33,647,237	72,615,297
Incurred during the financial year	-	22,887,512	22,887,512
Balance as at 31 December 2019	38,968,060	56,534,749	95,502,809
Cumulative cost recognised in the statement of profit or loss and other comprehensive income			
Balance as at 1 January 2019	-	(3,628,056)	(3,628,056)
Recognised during the financial year	(3,822,376)	(6,112,738)	(9,935,114)
Balance as at 31 December 2019	(3,822,376)	(9,740,794)	(13,563,170)
Property development costs as at 31 December 2019	35,145,684	46,793,955	81,939,639

Group 2018	Freehold land, at cost RM	Development costs RM	Total RM
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

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

12. INVENTORIES (continued)

(c) Borrowing costs capitalised in property development cost and land held for property development during the financial year of the Group amounted to RM910,074 (2018: RM281,421) and RM Nil (2018: RM714,033) respectively at a rate of 7.10% (2018: 6.92%) per annum.

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

(e) 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.

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

13. DEFERRED TAX

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

	Group		Company	
	2019 **RM**	**2018** **RM**	**2019** **RM**	**2018** **RM**
Balance as at 1 January	625,963	436,032	625,963	446,981
Recognised in profit or loss (Note 27)	113,608	189,931	113,608	178,982
Balance as at 31 December	739,571	625,963	739,571	625,963
Presented after appropriate offsetting:				
Deferred tax assets, net	-	-	-	-
Deferred tax liabilities, net	739,571	625,963	739,571	625,963
	739,571	625,963	739,571	625,963

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:

Deferred tax assets of the Group

	Unused tax losses RM
At 1 January 2018	(10,949)
Recognised in profit or loss	10,949
At 31 December 2018	-

Deferred tax liabilities of the Group

	Other temporary differences RM
At 1 January 2019	625,963
Recognised in profit or loss	113,608
At 31 December 2019	739,571
At 1 January 2018	446,981
Recognised in profit or loss	178,982
At 31 December 2018	625,963

Deferred tax liabilities of the Company

At 1 January 2019	625,963
Recognised in profit or loss	113,608
At 31 December 2019	739,571
At 1 January 2018	446,981
Recognised in profit or loss	178,982
At 31 December 2018	625,963

13. DEFERRED TAX (continued)

(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 2019 RM	Group 2018 RM
Unused tax losses		
- Expires by 31 December 2025	4,224,000	5,758,000
- Expires by 31 December 2026	858,000	-
	5,082,000	5,758,000

14. TRADE AND OTHER RECEIVABLES

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Non-current					
Other receivables					
Amounts owing by subsidiaries	(j)	-	-	7,606,916	7,606,916
Amount owing by an associate	(k)	3,955,357	4,603,854	3,955,357	4,603,854
		3,955,357	4,603,854	11,562,273	12,210,770
Less: Impairment losses					
- Amount owing by an associate		(1,349,822)	(1,349,822)	(1,349,822)	(1,349,822)
Total non-current receivables		2,605,535	3,254,032	10,212,451	10,860,948
Current					
Trade receivables					
Third parties		1,035,084	1,507,867	-	-
Associate		36,698	2,799,779	-	-
		1,071,782	4,307,646	-	-
Less: Impairment losses					
- Third parties		(111,492)	(113,673)	-	-
Total trade receivables	(e)	960,290	4,193,973	-	-

14. TRADE AND OTHER RECEIVABLES (continued)

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Other receivables					
Amounts owing by subsidiaries	(j)	-	-	3,583,709	7,798,717
Deposits	(g)	5,903,066	15,047,444	17,600	229,600
Other receivables	(h)	5,789,817	6,423,378	5,922	4,456
		11,692,883	21,470,822	3,607,231	8,032,773
Less: Impairment losses					
- Amounts owing by subsidiaries		-	-	(2,509,471)	(2,298,717)
- Other receivables		(600,000)	(1,000,000)	-	-
		11,092,883	20,470,822	1,097,760	5,734,056
Prepayments	(i)	3,429,267	1,076,942	2,421,294	21,618
Total current receivables		15,482,440	25,741,737	3,519,054	5,755,674
Total receivables		18,087,975	28,995,769	13,731,505	16,616,622

(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 (2018: 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 in the statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectible, the gross carrying value of the asset would be written off against the associated impairment.

14. TRADE AND OTHER RECEIVABLES (continued)

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

Group	Gross carrying amount RM	Loss allowance RM	Net balance RM
2019			
Current	-	-	-
1 – 90 days	950,635	(1,078)	949,557
More than 91 days	121,147	(110,414)	10,733
	1,071,782	(111,492)	960,290
2018			
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.

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

	Group		
	Lifetime ECL allowance RM	Credit impaired RM	Total allowance RM
Trade receivables			
At 1 January 2019	91,033	22,640	113,673
Reversal of impairment losses	-	(2,181)	(2,181)
At 31 December 2019	91,033	20,459	111,492
At 1 January 2018 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 2018	91,033	22,640	113,673

Credit impaired refers to individually determined debtors who are in significant financial difficulties and have defaulted on payments to be impaired as at the end of the reporting period.

14. TRADE AND OTHER RECEIVABLES (continued)

(g) Included in the deposits of the Group is an amount paid for the purchase of one (1) plot of land located in Pengerang amounting to RM4,735,407. This land will be reclassified as land held for property development upon completion of the transaction.

In previous financial year, included in the deposits of the Group were as follows:

(i) Deposits paid for the purchase of eight (8) plots of land located in Pengerang amounted to RM6,293,549; and
(ii) Payments made for the acquisition of future development rights amounting to RM8,229,080.

(h) Included in the other receivables of the Group are payments made to a contractor for mobilisation fees amounting to RM4,053,818 (2018: RM4,194,918).

(i) Included in the prepayments of the Group and of the Company is an amount of RM2,400,000 in relation to the additional investment in ordinary shares of the associate, which was paid and subsequently approved by the Board after the financial year end.

(j) Non-current amounts owing by subsidiaries represent advances and payments made on behalf, which are unsecured and bear interest rate of 3% (2018: 3%) per annum and are not payable within the next twelve months.

Current amounts owing by subsidiaries represent advances and payments made on behalf, which are unsecured and bear interest rate of 3% (2018: 3%) per annum and are payable within the next twelve (12) months.

(k) Non-current amount owing by an associate represents advances and payments made on behalf, which are unsecured and bear interest rate of 3% (2018: 3%) per annum and are not payable within the next twelve months.

(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.

14. TRADE AND OTHER RECEIVABLES (continued)

(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:

	Group	Company
	Lifetime expected credit loss - not credit impaired	
	RM	RM
2019		
At 1 January	1,349,822	3,648,539
Charge for the financial year	-	210,754
At 31 December	1,349,822	3,859,293
2018		
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 current other receivables are as follows:

	Group	
	2019	2018
	RM	RM
At 1 January	1,000,000	-
Reversal of impairment loss	(1,000,000)	-
Charge for the financial year	600,000	1,000,000
At 31 December	600,000	1,000,000

No expected credit loss is recognised arising from other receivables of the Group 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.

(p) Certain comparative figures have been reclassified to conform with the current year’s presentation.

15. CONTRACT ASSETS/(LIABILITIES)

	Group	
	2019 **RM**	**2018** **RM**
Aggregate pre-contract costs incurred to date	41,442,015	31,396,692
Add: Attributable profits	8,031,804	3,032,078
	49,473,819	34,428,770
Less: Progress billings	(50,044,256)	(35,486,602)
	(570,437)	(1,057,832)
Represented by:		
Contract assets		
Construction contracts	784,704	3,741,998
Contract liabilities		
Property development contracts	(1,355,141)	(4,799,830)
	(570,437)	(1,057,832)

(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	
	2019 **RM**	**2018** **RM**
Within 1 year	2,721,291	18,549,613
Between 1 and 4 years	-	2,600,000
	2,721,291	21,149,613

16. CASH AND BANK BALANCES

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash and bank balances	2,269,416	4,974,589	1,642	26,903

(a) Cash and bank balances is classified as financial asset measured at amortised cost.

(b) Cash and bank balances are denominated in RM.

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

17. SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of shares	RM	Number of shares	RM
Issued and fully paid				
Balance as at 1 January	194,535,240	99,502,858	177,821,400	96,252,901
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)
Balance as at 31 December	194,535,240	99,502,858	194,535,240	99,502,858

(a) In previous 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 ranked 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.

18. TREASURY SHARES

There were no shares repurchased during the financial year ended 31 December 2019. In previous 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 2019.

As at 31 December 2019, the Company held 111,840 (2018: 111,840) treasury shares at a total cost of RM92,187 (2018: RM92,187). The movement to treasury shares is detailed as follows:

	Group and Company			
	2019		2018	
	Number of treasury shares	RM	Number of treasury shares	RM
Balance as at 1 January	111,840	92,187	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	111,840	92,187

19. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

In the financial year 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 a former subsidiary, Formosa Prosonic Technics Sdn. Bhd. (“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 years. The disposal was completed on 2 January 2018.

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

The details of the disposal of the subsidiary were as follows:

	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	(1,263,033)	-
Cash and bank balances	(3,623,567)	-
Cash flow on disposal, net of cash and cash equivalents of a subsidiary disposed	5,713,400	10,600,000

20. BORROWINGS

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Non-current liabilities:					
Bank loans		15,875,970	5,983,338	-	-
Hire purchase creditors		-	598,889	-	446,541
		15,875,970	6,582,227	-	446,541
Current liabilities:					
Bank loans		540,170	6,825,253	-	-
Hire purchase creditors		-	105,522	-	78,417
		540,170	6,930,775	-	78,417
		16,416,140	13,513,002	-	524,958
Total borrowings					
Bank loans	(b)	16,416,140	12,808,591	-	-
Hire purchase creditors	(c)	-	704,411	-	524,958
		16,416,140	13,513,002	-	524,958

20. BORROWINGS (continued)

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

(b) Bank loans

	Group 2019 RM	Group 2018 RM
Current liabilities		
- not later than one (1) year	540,170	6,825,253
Non-current liabilities		
- later than one (1) year and not later than five (5) years	13,947,934	5,983,338
- later than five (5) years	1,928,036	-
	15,875,970	5,983,338
	16,416,140	12,808,591

Bank loans of the Group are secured by the followings:

(i) Legal charges over the freehold land under property development costs of the Group as disclosed in Note 12 to the financial statements;
(ii) Jointly and severally guaranteed by all Directors of JM Cemerlang Sdn. Bhd.; and
(iii) Corporate guarantee by the Company.

(c) Movements of borrowings upon adoption of MFRS 16 are as follows:

	Group Bank loans RM	Group Hire purchase creditors RM	Group Total RM
At 1 January 2019, as previously reported	12,808,591	704,411	13,513,002
Effects of adoption of MFRS 16	-	(704,411)	(704,411)
At 1 January 2019, as restated	12,808,591	-	12,808,591

	Company Bank loans RM	Company Hire purchase creditors RM	Company Total RM
At 1 January 2019, as previously reported	-	524,958	524,958
Effects of adoption of MFRS 16	-	(524,958)	(524,958)
At 1 January 2019, as restated	-	-	-

20. BORROWINGS (continued)

(d) Hire purchase creditors

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Minimum hire-purchase payments:				
- not later than one (1) year	-	136,123	-	101,167
- later than one (1) year but not later than five (5) years	-	581,280	-	441,456
- later than five (5) years	-	86,400	-	56,491
Total minimum hire-purchase payments	-	803,803	-	599,114
Less: Future interest charges	-	(99,392)	-	(74,156)
Present value of hire-purchase liabilities	-	704,411	-	524,958
Repayable as follows:				
Current liabilities:				
- not later than one (1) year	-	105,522	-	78,417
Non-current liabilities:				
- later than one (1) year but not later than five (5) years	-	513,920	-	390,873
- later than five (5) years	-	84,969	-	55,668
	-	598,889	-	446,541
	-	704,411	-	524,958

20. BORROWINGS (continued)

(e) The following table sets out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the borrowings of the Group and of the Company that are exposed to interest rate risk:

Group 2019	**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	6.81	540,170	10,577,964	3,369,970	1,928,036	16,416,140
2018						
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
Company						
2018						
Hire purchase creditors						
Fixed rate	5.15	78,417	90,291	300,583	55,667	524,958

(f) The table below summarises the maturity profile of the borrowings of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	**On demand or within one year RM**	**One to five years RM**	**Over five years RM**	**Total RM**
As at 31 December 2019				
Bank loans	1,610,862	15,551,256	2,021,545	19,183,663
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
Company				
As at 31 December 2018				
Hire purchase creditors	101,167	441,456	56,491	599,114

20. BORROWINGS (continued)

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

	2019		2018	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group				
Hire purchase creditors	-	-	704,411	593,733
Company				
Hire purchase creditors	-	-	524,958	444,827

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.

(h) Sensitivity analysis for interest rate risk

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

	Group	
Loss after tax	2019 RM	2018 RM
Increase by 0.5% (2018: 0.5%)	62,381	48,673
Decrease by 0.5% (2018: 0.5%)	(62,381)	(48,673)

The sensitivity is higher in 2019 than in 2018 due to an increase 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.

(i) Borrowings are denominated in RM.

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade payables				
Third parties	4,601,000	3,994,618	-	-
Retention sums	2,152,795	1,382,736	-	-
	6,753,795	5,377,354	-	-
Other payables				
Other payables	2,021,375	3,454,005	530	94,872
Accruals	1,528,628	4,727,003	634,499	650,992
	3,550,003	8,181,008	635,029	745,864
	10,303,798	13,558,362	635,029	745,864

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

(b) Trade payables are non-interest bearing and the normal trade credit terms granted range from 30 to 60 days (2018: 30 to 60 days) from the date of invoice.

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

(d) 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.

22. COMMITMENTS

(a) Operating lease commitments

<u>The Group as a lessee</u>

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	
	2019 RM	2018 RM	2019 RM	2018 RM
Not later than one (1) year	-	322,267	-	107,600
Later than one (1) year and not later than five (5) years	-	199,067	-	32,400
	-	521,334	-	140,000

22. COMMITMENTS (continued)

(b) Capital commitments

	Group	
	2019 RM	2018 RM
Contracted but not provided for:		
- Acquisition of land for development	-	6,746,355

23. REVENUE

	Group	
	2019 RM	2018 RM
Revenue from contracts with customers:		
Recognised over time:		
Revenue from construction contracts	87,597	25,103,291
Property development revenue	14,929,649	5,081,114
Recognised at point in time:		
Sales of completed properties	-	5,905,433
	15,017,246	36,089,838

(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.

23. 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.

24. COST OF SALES

	Group	
	2019 RM	**2018 RM**
Property development costs	9,935,114	3,628,056
Cost of sales of completed properties	-	5,215,522
Construction contracts costs	83,616	23,998,470
	10,018,730	32,842,048

25. FINANCE COSTS

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Bank charges	6,669	4,922	282	1,692
Interest expenses on:				
- bank loans	81,594	-	-	-
- hire purchase creditors	-	38,568	-	29,976
- lease liabilities	57,793	-	32,689	-
	146,056	43,490	32,971	31,668

26. 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Loss before tax is arrived at after charging:				
Auditors' remuneration:				
- Statutory audit:				
- current year	85,000	72,300	38,000	36,300
- under provision in prior year	4,500	-	-	-
- Non-statutory audit	3,200	3,200	3,200	3,200
- Other services	4,200	4,200	4,200	4,200
Directors' remuneration:				
- Directors of the Company:				
- fees	220,000	220,000	220,000	220,000
- other emoluments	933,514	1,035,649	933,514	1,035,649
- Director of the subsidiaries:				
- other emoluments	242,329	-	242,329	-
Expenditure of premises	98,200	170,400	-	81,600
Expenditure of equipment	1,866	2,714	-	-
And after crediting:				
Interest income	-	24,580	-	16,491
Interest income received from:				
- advances to subsidiaries	-	-	301,862	644,685
- advances to an associate	171,503	101,075	171,503	101,075
Rental income	-	47,170	-	-

The estimated monetary value of benefits-in-kind not included in the above received by Directors of the Company was RM47,900 (2018: RM47,900) 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.

27. TAX EXPENSE

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Current tax expense				
- Based on profit for the financial year	785,744	-	-	-
- Under provision in prior years	12,039	218,485	-	-
	797,783	218,485	-	-
Deferred tax (Note 13)				
- Relating to origination and reversal of temporary differences	113,608	189,931	113,608	178,982
	113,608	189,931	113,608	178,982
	911,391	408,416	113,608	178,982

(a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated taxable profits for the fiscal year.

(b) The reconciliation between the tax expense and the product of accounting loss multiplied by the applicable tax rate of the Group and of the Company is as follows:

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Loss before tax	(674,751)	(7,214,183)	(2,940,052)	(5,408,309)
Taxation at Malaysian statutory rate of 24% (2018: 24%)	(161,940)	(1,731,404)	(705,612)	(1,297,994)
Expenses not deductible for tax purposes	1,536,523	1,959,769	891,667	1,632,109
Income not subject to tax	(312,970)	(155,133)	(72,447)	(155,133)
Utilisation of previously unrecognised tax losses	(162,261)	-	-	-
Deferred tax assets not recognised	-	116,699	-	-
	899,352	189,931	113,608	178,982
Under provision in prior years				
- current tax	12,039	218,485	-	-
	911,391	408,416	113,608	178,982

28. 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	
	2019	**2018**
In RM		
Loss for the financial year attributable to equity holders of the parent	(1,586,142)	(7,622,599)
Weighted average number of ordinary shares outstanding (adjusted for treasury shares)	194,535,240	170,305,727
In sen		
Basic loss per ordinary share	(0.82)	(4.48)

(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.

29. EMPLOYEE BENEFITS

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Salaries, wages and bonuses	2,255,970	2,392,968	1,775,474	1,875,664
Defined contribution plan	278,017	294,439	217,652	231,176
Other employee benefits	35,935	36,816	8,510	9,597
	2,569,922	2,724,223	2,001,636	2,116,437

Included in the employee benefits of the Group and the Company are Directors' remuneration amounting to RM1,175,843 (2018: RM1,035,649).

30. 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 could be individuals or other entities.

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	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Related party:				
Lease payment/Rental paid	81,600	81,600	81,600	81,600
Associate:				
Revenue from construction contract	(87,597)	(25,103,291)	-	-
Interest income	(171,503)	(101,075)	(171,503)	(101,075)
Subsidiaries:				
Interest income	-	-	(301,862)	(644,685)

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 2019 is disclosed in Note 14 to the financial statements.

30. 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 key management personnel during the financial year was as follows:

	Group and Company 2019 RM	Group and Company 2018 RM
Short term employee benefits	1,395,373	927,125
Contributions to defined contribution plan	178,401	108,524
	1,573,774	1,035,649

31. CONTINGENT LIABILITIES

	Company 2019 RM	Company 2018 RM
Limit:		
Corporate guarantees given to financial institutions for credit facilities granted to a subsidiary	38,605,000	36,400,000
Corporate guarantees given to financial institutions for credit facilities granted to an associate	9,709,200	9,709,200
Utilised:		
Corporate guarantees given to financial institutions for credit facilities granted to a subsidiary	16,416,140	12,872,253
Corporate guarantees given to financial institutions for credit facilities granted to an associate	9,520,803	9,400,650

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.

32. 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 years ended 31 December 2019 and 31 December 2018.

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	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	2,269,416	4,974,589	1,642	26,903
Less:				
Borrowings (Note 20)	(16,416,140)	(13,513,002)	-	(524,958)
Lease liabilities owing to financial institutions (Note 7)	(590,354)	-	(439,206)	-
Net debts	(14,737,078)	(8,538,413)	(437,564)	(498,055)
Equity attributable to owners of the parent	100,987,757	102,573,899	98,641,996	101,695,656
Net gearing	14.6%	8.3%	0.4%	0.5%

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 2019.

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.

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

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.

(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 interest-bearing borrowings from financial institutions. The fixed-rate 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 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.

33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 28 May 2019, the Company announced its wholly owned subsidiary, Teras Eco Resources Sdn. Bhd. entered into agreements with Innocashz Sdn. Bhd. ("ISB") and Goldsand JV Sdn. Bhd. ("GJVSB") for the developments on leasehold land held under title number HSD 73497 PT 833 located in Bandar Melaka and HSM 593 PT 11425 located in Mukim Krubong, state of Melaka.

(b) On 6 August 2019, the Company announced its wholly owned subsidiary, TE Hotel Sdn. Bhd. entered into an agreement to acquire and undertake the development on a leasehold land held under title number HSD 70516 PT 1816, Kawasan Bandar VI, District of Melaka Tengah, state of Melaka.

(c) On 15 August 2019, the Company announced its wholly owned subsidiary, Teras Eco Sdn. Bhd. entered into an agreement with Sun Rock Development Sdn. Bhd. ("SRDSB") for the development on a leasehold land held under title number HSD 478360 PT 204274 located in Mukim Plentong, District of Johor Bahru, state of Johor Darul Takzim.

34. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

(a) On 6 March 2020, the Company announced to undertake the following proposals:

(i) proposed issuance of up to 800,000,000 new 2% cumulative redeemable convertible preference shares in the Company at an issue price of RM0.10 each; and

(ii) proposed bonus issue of up to 97,211,700 free warrants ("Warrants") in the Company on the basis of 1 Warrant for every 2 existing ordinary shares in the Company held by the shareholders of the Company.

The proposed arrangements are subject to approval in general meeting.

(b) The World Health Organisation declared the 2019 Novel Coronavirus infection ('COVID-19') a pandemic on 11 March 2020. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order ('MCO') effective from 18 March 2020 to 31 March 2020 arising from COVID-19. The MCO was subsequently extended until 12 May 2020, followed by a Conditional MCO until 9 June 2020.

The Group is in the process of assessing the financial reporting impact of COVID-19 pandemic since ongoing developments remain uncertain and cannot be reasonably predicted as at the date of authorisation of the financial statements.

The Group anticipates that the potential financial reporting impact of COVID-19 would be recognised in the financial statements of the Group during the financial year ending 31 December 2020.

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2020

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

SIZE OF HOLDING	NO. OF HOLDERS	%	NO. OF SHARES	%
1 - 99	55	1.855	2,492	0.001
100 - 1,000	269	9.075	204,793	0.105
1,001 - 10,000	1,742	58.771	8,406,273	4.323
10,001 - 100,000	729	24.595	23,459,661	12.066
100,001 - 9,721,169 (*)	168	5.668	136,579,085	70.248
9,721,170 AND ABOVE (**)	1	0.033	25,771,096	13.255
TOTAL :	2,964	100.000	194,423,400	100.000

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

SUBSTANTIAL HOLDERS	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
Ang Chian Show	10,000	0.01	25,771,096	13,248

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	700,400	0.360	-	-
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 SHAREHODLERS

AS AT 31 MARCH 2020

NO.	NAME	NO. OF SHARES HELD	%
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	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO CHAI HOCK	4,696,900	2.415
6	LEE BOON LENG	3,846,154	1.978
7	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEONG NGAI SENG	3,505,956	1.803
8	LEE HONG PENG	3,200,000	1.645
9	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM AH PENG	2,900,000	1.491
10	LOW KIM ONG	2,750,000	1.414
11	ADSCORE SDN BHD	2,697,090	1.387
12	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO CHAI HOCK	2,509,000	1.290
13	LOW BOON FIN	2,402,400	1.235
14	TAN BEE LENG	2,402,400	1.235
15	LEE BOON LENG	2,323,062	1.194
16	AFFIN HWANG NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS)	2,300,000	1.182
17	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG ENG CHIN	2,225,000	1.144
18	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN YAN TEN	2,085,400	1.072
19	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HSU TONG KEY	2,081,000	1.070
20	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE MIK SEN	2,000,000	1.028
21	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOM HUAN CHEE	1,961,000	1.008
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	CHENG LING MU	1,623,100	0.834
25	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN YAN TEN	1,600,000	0.822
26	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOM HUAN CHEE	1,600,000	0.822
27	CHUA ENG GUAN	1,538,462	0.791
28	ONG JUN JIE	1,515,000	0.779
29	C.L.P.INDUSTRIES SDN BHD	1,478,000	0.760
30	WONG CHOON LEONG	1,455,700	0.748
	TOTAL	103,708,420	53.341

LIST OF PROPERTIES

AS AT 31 DECEMBER 2019

Company	Location	Description	Tenure	Valuation/ Acquisition/ Completion Date	Approximate Site Area (Acres)	Existing Use
TESB	Part of master title HSD 70516 PT 1816, Kawasan Bandar VI, District of Melaka Tengah, State of Melaka	Development site on the podium of a residential block within a mixed development	Leasehold	13 December 2018	Part of a land measuring 4.38 acres	Property Development
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 under JMC					**37.944**	

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Acoustech Berhad
(Company No. 199901021765 (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 Twenty-First Annual General Meeting ("**AGM**") of the Company to be conducted entirely through live streaming from the broadcast venue at Tricor Boardroom, Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia ("**Broadcast Venue**") using the Remote Participation and Voting facilities ("**RPV**") provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at https://tiih.online on Friday, 10 July 2020 at 11.00 a.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below:

RESOLUTIONS	FOR	AGAINST
1 To approve the payment of Directors' Fees amounting to RM231,000.00 in respect of the financial year ended 31 December 2019. [2018: RM220,000]		
2 To approve payment of Directors' benefits of up to RM300,000.00 for the financial period from 1 July 2020 to 30 June 2021.		
3 To re-elect Ahmad Rahizal bin AMD Dato' Ahmad Rasidi, a Director retiring in accordance with Clause 105(1) of the Constitution of the Company.		
4 To re-elect Soon Kwai Choy, a Director retiring in accordance with Clause 105(1) of the Constitution of the Company.		
5 To re-appoint BDO PLT as the Auditors of the Company and to authorise the Directors to fix their remuneration.		
6 Authority to Allot and Issue Shares Pursuant to Section 75 and 76 of the Companies Act 2016		
7 Retention of Independent Director in accordance with the Malaysian Code on Corporate Governance		

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%

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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

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NOTES

1. Important Notice

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. **Members will not be allowed to attend the meeting in person at the Broadcast Venue on the day of the meeting**. Members are to participate i.e. to attend, speak (including posing questions via real time submission of typed texts) and vote remotely using the RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at https://tiih.online.

Please read these Notes carefully and follow the procedures in the Administrative Guide for the AGM in order to participate remotely via the RPV.

2. Appointment of Proxy

1. For the purpose of determining a Member who shall be entitled to participate and vote via the RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at **2 July 2020** and only a depositor whose name appears on the Record of Depositors shall be entitled to participate at the meeting or appoint proxy(ies) to participate in his stead.
2. A Member of the Company who is entitled to participate and vote at this meeting is entitled to appoint proxy(ies) to participate and vote instead of him. A proxy may, but need not, be a member of the Company.
3. Where a Member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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 the SIDCA which is exempted from compliance with the provisions of Section 25A(1) of the SICDA.
4. Where a Member 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.
5. The appointment of a proxy may be made in hard copy form or by electronic form. The hard copy of 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.
6. A member who has appointed a proxy or attorney or authorized representative to attend, participate, speak and vote at this AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online. Please follow the Procedures for RPV in the Administrative Guide for AGM.
7. In the case of an appointment made in hard copy form, the proxy form must be deposited with the Company's 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. In the case of electronic appointment, the proxy form must be deposited via TIIH Online at https://tiih.online. Please refer to the Administrative Guide for the AGM for further information on electronic submission.
8. All proxy forms submitted must be received by the Company at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
9. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
10. For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with the Share Registrar of the Company.

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ANNEXURE

ELECTRONIC SUBMISSION OF PROXY FORM VIA TIIH ONLINE

Dear shareholders,

We are pleased to inform that you as a shareholder can have the option to submit your proxy forms by electronic means through our system, TIIH Online (“**e-Proxy**”).

TIIH Online is an application that provides an online platform for shareholders (individuals only) to submit document/form electronically which includes proxy form in paperless form (“e-Submission”). Once you have successfully submitted your e-proxy form, you are no longer required to complete and submit the physical proxy form to the company or Tricor office.

To assist you on how to engage with e-Proxy, kindly read and follow the guidance notes which are detailed below:

1. Sign up as user of TIIH Online

- Using your computer, access our website at https://tiih.online
- Sign up as a user by completing the registration form, registration is free
- Upload a softcopy of your MyKad (front and back) or your passport
- Administrator will approve your registration within one working day and notify you via email
- Activate your account by re-setting your password

Notes:
(i) If you are already a user of TIIH Online, you are not required to sign up again
(ii) An email address is allowed to be used once to register as a new user account, and the same email cannot be used to register another user account
(iii) At this juncture, only individual security holders are offered to register as user and participate in e-Proxy

2. Proceed with submission of e-Proxy

- After the release of the Notice of Meeting by the Company, login with your user name (i.e. e-mail address) and password
- Select the corporate event: “Submission of Proxy Form”
- Read and agree to the Terms & Conditions and confirm the Declaration
- Select/insert the CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf
- Appoint your proxy(s) or chairman and insert the required details of your proxy(s)
- Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote
- Review & confirm your proxy(s) appointment
- Print e-proxy for your record

Should you need assistance on our e-Submission, please contact us. Thank you.

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, Malaysia

Telephone No: 03-27839299
Fax No: 03-27839222
E-mail: is.enquiry@my.tricorglobal.com

ACOUSTECH BERHAD
(COMPANY NO. 199901021765 (496665-W))

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TEL : 03-2783 9191
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