



ACOUSTECH BERHAD (Co. No: 199901021765)

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual quarter		Cumulative quarter	
	Current year 30/9/2020 RM'000	Preceding year corresponding quarter 30/9/2019 RM'000	Current year to date 30/9/2020 RM'000	Preceding year corresponding period 30/9/2019 RM'000
Revenue	458	4,394	1,827	12,932
Operating expenses	(2,690)	(4,447)	(6,920)	(12,832)
Other operating income	131	94	326	295
Profit/(Loss) from operations	<u>(2,101)</u>	<u>41</u>	<u>(4,767)</u>	<u>395</u>
Finance costs	(3,791)	(35)	(3,878)	(89)
Share of results in associate	-	48	-	48
Total profit/(loss) before tax	<u>(5,892)</u>	<u>54</u>	<u>(8,645)</u>	<u>354</u>
Tax expense	(26)	(28)	(75)	(87)
Total profit/(loss) for the period	<u>(5,918)</u>	<u>26</u>	<u>(8,720)</u>	<u>267</u>
Attributable to:				
Owners of the parents	(5,918)	26	(8,720)	267
Non-controlling interests	-	-	-	-
	<u>(5,918)</u>	<u>26</u>	<u>(8,720)</u>	<u>267</u>
Profit/(Loss) per share attributable to equity holders of the parent:				
Basic (sen)	(3.04)	0.02	(4.48)	0.14
Diluted (sen)	<u>(2.03)</u>	<u>0.02</u>	<u>(2.99)</u>	<u>0.14</u>

(The notes set out on pages 5 to 12 form an integral part of and should be read in conjunction with this interim financial report)



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30/9/2020 RM'000	31/12/2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	708	947
Investment property	4,965	2,500
Right-of-use assets	848	1,029
Investment in an associate company	2,448	48
Goodwill	21,469	21,469
Amount owing by an associate	2,742	2,606
	33,180	28,599
Current assets		
Inventories	91,127	83,812
Trade and other receivables	11,090	15,482
Contract assets	748	785
Tax recoverable	293	232
Cash, bank balances and deposits	4,424	2,269
	107,682	102,580
TOTAL ASSETS	140,862	131,179
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	99,503	99,503
Reserves	(3,435)	1,485
TOTAL EQUITY	96,068	100,988
Non-current liabilities		
Long term borrowings	15,795	15,876
Lease liabilities	639	761
Deferred taxation	814	740
	17,248	17,377
Current Liabilities		
Trade and other payables	16,248	10,304
Contract liabilities	8,287	1,355
Short term borrowings	2,176	540
Lease liabilities	327	316
Tax liabilities	508	299
Cash and cash equivalents at end of financial period	27,546	12,814
TOTAL LIABILITIES	44,794	30,191
TOTAL EQUITY AND LIABILITIES	140,862	131,179
Net assets per share attributable to owners of the parent (RM)	0.49	0.52

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INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020
 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	30/9/2020	30/9/2019
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	(8,645)	354
Net adjustments for non cash items	4,345	280
Operating profit/(loss) before working capital changes	(4,300)	634
Net changes in working capital	4,264	(6,695)
Cash from/(used in) operations	(36)	(6,061)
Tax refunded/(paid)	148	358
Net cash from/(used in) operating activities	112	(5,703)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	138	133
Purchase of property, plant and equipment	(9)	(550)
Advances to an associate	(136)	(1,706)
Construction of investment property	(2,465)	-
Net cash from/(used in) investing activities	(2,472)	(2,123)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from issuance of new preference shares	3,800	-
Lease liabilities paid	(284)	(129)
Drawdown net of repayment of:		
- hire purchase liabilities	-	(85)
- term loans and bridging loans	1,555	4,308
Interest paid	(556)	(267)
Net cash from/(used in) financing activities	4,515	3,827
Net decrease in cash and cash equivalents	2,155	(3,999)
Cash and cash equivalents at beginning of financial period	2,269	4,975
Cash and cash equivalents at end of financial period	4,424	976

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INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←————— Attributable to equity holders of the parent —————→				—————→
	←—————	Non-distributable	—————→	Distributable	
	Share capital	RCPS	Treasury shares	Retained profits /(Accumulated losses)	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	99,503	-	(92)	1,577	100,988
Loss for the financial period	-	-	-	(8,720)	(8,720)
Issuance of Redeemable Convertible Preference Shares ("RCPC")	-	3,800	-	-	3,800
At 30 September 2020	99,503	3,800	(92)	(7,143)	96,068
At 1 January 2019	99,503	-	(92)	3,163	102,574
Profit for the financial period	-	-	-	267	267
At 30 September 2019	99,503	-	(92)	3,430	102,841

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EXPLANATORY NOTES

The figures have not been audited

1. Accounting Policies

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 "Interim Financial Reporting", International Financial Reporting Standards and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2019.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2019, except for the following Standards, Amendments and IC interpretation which are effective from the annual period beginning on or after 1 January 2020 which are applicable to the Group:

MFRSs/ Amendments/Interpretations	Effective date
Amendments to <i>References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7, <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to MFRS 4, <i>Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020

The adoption of these Standards, Amendments and IC interpretation have no material impact on the Interim Financial Report.

MFRS123: IFRS Interpretations Committee ("IFRIC") Agenda Decision on Borrowing Costs relating to over time transfer of constructed good

In March 2019, IFRIC concluded that interest cost should not be capitalised for assets included under receivables, contract assets and inventories that are created using the percentage-of-completion method as these assets do not meet the definition of qualifying assets. On 20 March 2019, the Malaysian Accounting Standards Board allowed the affected entities to effect changes to their accounting policies in relation to the Agenda Decision on borrowing costs for financial statements of annual periods beginning on or after 1 July 2020. In aligning to this change, the Group opts for early adoption of the Agenda Decision on borrowing costs and has, during the quarter, charged to Statement of Profit or Loss and Other Comprehensive Income interest cost previously capitalised amounting to RM3.805 million.

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

MFRSs/ Amendments/Interpretations	Effective date
Amendments to MFRS 16 Covid-19-Related Rent Concessions	1 June 2020*
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16, <i>Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021

EXPLANATORY NOTES

The figures have not been audited

MFRSs/ Amendments/Interpretations	Effective date
Amendments to MFRS 1 Annual Improvements to MFRS Standards 2018–2020 Cycle	1 January 2022
Amendments to MFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9 Annual Improvements to MFRS Standards 2018–2020 Cycle	1 January 2022
Amendments to MFRS 16 Annual Improvements to MFRS Standards 2018-2020 Cycle	1 January 2022
Amendments to MFRS 116 Property, Plant and Equipment-Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137 Onerous Contracts-Cost of Fulfilling a Contract	1 January 2022
Amendments to MFRS 141 Annual Improvements to MFRS Standards 2018-2020 Cycle	1 January 2022
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 101 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred
* <i>Applicable for annual reporting periods beginning on or after 1 June 2020.</i>	

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

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2019 was not qualified.

3. Segmental Information

	Property development & construction RM'000	Investment holding RM'000	Total RM'000
9-months ended 30 September 2020			
Revenue			
External revenue	1,827	-	1,827
Results			
Operating profit/(loss)	(2,461)	(2,632)	(5,093)
Finance costs	(3,862)	(16)	(3,878)
Interest income	2	136	138
Other income	186	2	188
Profit/(Loss) before tax	(6,135)	(2,510)	(8,645)
Tax expense			(75)
Profit/(Loss) for the period			(8,720)

EXPLANATORY NOTES
The figures have not been audited

	Property development & construction RM'000	Investment holding RM'000	Total RM'000
9-months ended 30 September 2019			
Revenue			
External revenue	12,932	-	12,932
Results			
Operating profit/(loss)	1,937	(1,837)	100
Finance costs	(67)	(22)	(89)
Interest income	7	126	133
Other income	162	-	162
Share of results in an associate	-	48	48
Profit/(Loss) before tax	2,039	(1,685)	354
Tax expense			(87)
Profit/(Loss) for the period			267

4. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income and cash flow during the current quarter and financial year-to-date.

5. Changes in Estimates

There were no significant changes in estimates of amount reported in prior interim period or prior financial year that have a material effect in the current quarter and financial year-to-date.

6. Comments about Seasonal or Cyclical Factors

The Group's operations are not subject to seasonal or cyclical factors.

7. Dividends Paid

The Board of Directors has not paid any dividend for the current quarter (31 December 2019: Nil).

8. Carrying Amount of Revalued Assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

9. Debt and Equity Securities

During the quarter, the Company issued 40,000,000 Redeemable Convertible Preference Shares ("RCPS") at RM0.10 per RCPS for a total of RM4,000,000.

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

On 17 August 2020, 97,211,694 Warrants were listed and quoted on the Main Market of Bursa Securities with effect from 9.00 a.m., marking the completion of the Bonus Issue of Warrants. As at 30 September 2020, none of the Warrants have been exercised.

EXPLANATORY NOTES

The figures have not been audited

10. Changes in Composition of the Group

There was no change in the composition of the Group for the current financial year-to-date under review except for as disclosed in Note 19.

11. Changes in Contingent Liabilities or Contingent Assets

The Company has an existing corporate guarantee amounting to RM37.5 million issued to a licensed bank for banking facilities granted to a subsidiary company. As at 30 September 2020, the Company is contingently liable for the amount of banking facilities utilised by the subsidiary company totalling RM15.8 million.

The Company had also issued another corporate guarantee amounting to RM2.2 million to a licensed bank for banking facilities granted to a subsidiary company. As at 30 September 2020, the Company is contingently liable for the amount of banking facilities utilised by the subsidiary company totalling RM2.2 million.

In respect of banking facilities granted by a licensed bank to associate company Harum Eco Dormitory Sdn Bhd, the Company is contingently liable up to 30% of the amount of banking facilities utilised by the associate under the proportionate corporate guarantee scheme. As at 30 September 2020, the Company is liable for the amount of RM9.4 million, representing 30% proportion of the RM31.2 million banking facilities utilised and remain outstanding.

12. Subsequent Events

Other than as disclosed in Note 15, there were no material events subsequent to 30 September 2020 that have not been reflected in the interim report.

13. Review of Performance

During the period under review, the Group posted a turnover of RM1.8 million compared to RM12.9 million for the same period in the preceding year. The turnover was mainly attributed to the development progress of Phase 1 terrace factories at Desa 88, Plentong, Johor. The lower revenue is primarily a result of the delays in construction progress arising from the movement control measures imposed by the Government in March earlier this year in combating the spread of the COVID-19 pandemic. Similarly, for the corresponding period of the preceding year, turnover was also substantially derived from the development progress of the same project. The Group posted a pre-tax loss of RM8.6 million for the current period as compared to a pre-tax profit of RM0.4 million in the corresponding period of the preceding year. The higher loss posted for the current period is mainly a result of lower turnover which was insufficient to cover operating expenses as well as the effects of IFRIC Agenda Decision (as per Note 1) on borrowing cost wherein RM3.8 million in borrowing cost previously capitalised was recognised as expense during the period.

EXPLANATORY NOTES**The figures have not been audited**

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

For the quarter under review, the Group posted a higher pre-tax loss of RM5.9 million compared to the RM1.1 million pre-tax loss reported for the immediate preceding quarter mainly due to the effects of the IFRIC Agenda Decision on borrowing cost wherein RM3.8 million in borrowing cost was recognised as expense during the quarter. Had the IFRIC Agenda Decision on borrowing costs not been effected, loss for the quarter would have been lower. The Group continues to be affected by lower revenue due to disruptions resulting from the COVID-19 haphazard movement control orders by the appropriate authorities and the inability to recognise sufficient revenue to support the overheads for the quarter. Construction works at Desa 88 Phase 1 project only resumed after the movement control measures were relaxed late in the preceding quarter.

15. Prospects for the current financial year

As the Group gears up towards completion and delivery of Desa 88 Phase 1 terrace factories, sale of both newly launched Desa 88 Phase 2 terrace factories and the double and three-storey shop offices in Pasir Gudang has commenced. Although the Group foresees the recognition of profits from these new projects to materialise substantially beginning 2021, the Board endeavours to speed up the progress of the said projects for the remainder part of 2020.

The latest enforcement of Conditional Movement Control Order amidst escalating cases of COVID-19 may further dampen economic activities and investor sentiments. The Group is hopeful that construction works remain uninterrupted and confident with the right pricing and marketing concept, the Group will be able to mitigate as much of the negative effects arising from a weak property market in 2020.

Although cautious and vigilant of the economic challenges, the Group is hopeful that the National Budget 2021 and Government policies will be supportive of the property development sector and incentivise property buyers.

16. Deviation from Profit Forecast and Profit Guarantee

The Group did not provide any profit forecast in a public document and therefore, this note is not applicable.

EXPLANATORY NOTES
The figures have not been audited
17. (i) Loss Before Tax

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

	Current Quarter 30/9/2020 RM'000	Preceding Year Corresponding Quarter 30/9/2019 RM'000	Cumulative Quarter 30/9/2020 RM'000	Preceding Year Cumulative Quarter 30/9/2019 RM'000
Depreciation of property, plant and equipment	31	85	101	250
Depreciation of right-of-use assets	97	56	318	100
Interest expense on borrowings	(15)	34	70	82
Effects of IFRIC Agenda Decision on borrowing cost	3,805	-	3,805	-
Interest income	(46)	(48)	(138)	(133)

(ii) Cash and Cash Equivalents

The cash and cash equivalents at end of the financial period comprise of the following:

	Current year to date RM'000 30/9/2020	Preceding year to date RM'000 30/9/2019
Cash and bank balances	4,424	976

18. Income Tax Expense

The taxation of the Group comprises the following:

	Current Quarter 30/9/2020 RM'000	Preceding Year Corresponding Quarter 30/9/2019 RM'000	Cumulative Quarter 30/9/2020 RM'000	Preceding Year Cumulative Quarter 30/9/2019 RM'000
In respect of current period:				
- deferred tax	26	28	75	87
	26	28	75	87

The tax charge for the period is primarily in respect of deferred tax liabilities provision on interest charged to subsidiaries.

EXPLANATORY NOTES

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19. Corporate Proposals

- (a) On 11 February 2020, the Company announced that subsidiary JM Cemerlang Sdn Bhd had entered into a Sale and Purchase Agreement with Melatone Coating Sdn Bhd for the disposal of 2 contiguous parcels of land, identified as Plot 4 and Plot 5 each measuring approximately 1.014 acres, held under part of the Master titles with particulars HS(D) 592292 PTD 236096; HS(D) 592293 PTD 236097; HS(D) 592294 PTD 236098; HS(D) 592295 PTD 236099; and HS(D) 592296 PTD 236100, all in the Mukim of Plentong, District of Johor Bahru, State of Johor for a cash consideration of RM6,625,476.00; and
- (b) On 6 March 2020, the Company announced its proposal to undertake the following:
- (i) proposed issuance of up to 800,000,000 new 2% cumulative redeemable convertible preference shares in Acoustech (“RCPS”) at an issue price of RM0.10 each (“RCPS Issue Price”) (“Proposed Issuance of RCPS”);
 - (ii) proposed amendments to the Constitution of the Company to facilitate the Proposed Issuance of RCPS (“Proposed Amendments of Constitution”); and
 - (iii) proposed bonus issue of up to 97,211,700 free warrants in Acoustech (“Warrants”) on the basis of 1 Warrant for every 2 existing ordinary shares in Acoustech (“Acoustech Shares” or “Shares”) held by the shareholders of Acoustech whose name appear in the record of securities holders established by Bursa Malaysia Depository Sdn Bhd (“Bursa Depository”) under the rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act 1991 (“SI(CD)/A”) (“Record of Depositors”) of the Company on a date to be determined and announced later by the Board (“Entitlement Date”) (“Entitlement Shareholders”) (“Proposed Bonus Issue of Warrants”).

At the Extraordinary General Meeting held on 10 July 2020, all of the resolutions in respect of the said proposals were tabled and duly passed.

Subsequently, on 23 July 2020, the Company announced that the exercise price for the Warrants to be issued pursuant to the Bonus Issue of Warrants be fixed at RM0.29 per Warrant (“Exercise Price”). Further, on 24 July 2020, the Company announced that the Entitlement Date for the Warrants has been fixed at 5.00 p.m. on 7 August 2020.

Following the announced Entitlement Date, 97,211,694 Warrants have been listed and quoted on the Main Market of Bursa Securities with effect from 9.00 a.m. on 17 August 2020, marking the completion of the Bonus Issue of Warrants.

During the quarter, the Company issued 40,000,000 RCPS at RM0.10 per RCPS for a total of RM4,000,000. The status of utilisation of proceeds raised from RCPS as at 30 September 2020 is as follows:

Purpose	Proposed utilisation RM'000	Intended timeframe for utilisation	Amount raised RM'000	Actual utilisation RM'000	Balance to be raised RM'000
Financing for existing property development projects	48,000	Within 3 years	2,840	2,840	45,160
Financing for future property development projects	24,000	Within 3 years	-	-	24,000
Working capital	3,000	Within 3 years	-	-	3,000
Expenses relating to RCPS	5,000	Within 5 years	1,160	1,160	3,840
Total	80,000		4,000	4,000	76,000

EXPLANATORY NOTES

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Save for the above, there were no other corporate proposals announced which remained incomplete as at the date of issue of this interim report.

20. Group Borrowings and Debt Securities

Group borrowings, which are denominated in Ringgit Malaysia, as at 30 September 2020 are as follows:

(a) **Short term borrowings**

<u>Secured</u>	RM'000
Term loans & bridging finance	2,176

(b) **Long term borrowings**

<u>Secured</u>	RM'000
Term loans & bridging finance	15,795

21. Material Litigation

The Group does not have any material litigation as at the date of this report.

22. Dividend Payable

The Board of Directors has not recommended any dividend for the current quarter.

23. Earnings/(Loss) Per Share

Basic loss per share

	Current Quarter 30/9/2020	Preceding Year Corresponding Quarter 30/9/2019	Cumulative Quarter 30/9/2020	Preceding Year Cumulative Quarter 30/9/2019
Profit/(Loss) attributable to equity holders of the parent (RM'000)	(5,918)	26	(8,720)	267
Weighted average number of shares in issue ('000)	194,535	194,535	194,535	194,535
Basic EPS (sen)	(3.04)	0.02	(4.48)	0.14
Profit/(Loss) attributable to equity holders of the parent (RM'000)	(5,918)	26	(8,720)	267
Weighted average number of shares in issue ('000)	194,535	194,535	194,535	194,535
Shares deemed issued for no consideration ('000) - Warrants	97,212	-	97,212	-
Weighted average number of shares for diluted EPS ('000)	291,747	194,535	291,747	194,535
Diluted EPS (sen)	(2.03)	0.02	(2.99)	0.14