

ACOUSTECH BERHAD (Co. No: 496665-W)

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual quarter		Cumulative quarter	
	Current year 30/09/14 RM'000	Preceding year corresponding quarter 30/09/13 RM'000	Current year to date 30/09/14 RM'000	Preceding year corresponding period 30/09/13 RM'000
Revenue	47,334	57,653	121,395	148,676
Operating expenses	(46,209)	(58,532)	(121,351)	(150,100)
Other operating income	318	80	1,497	1,703
Profit / (Loss) from operations	1,443	(799)	1,541	279
Finance costs	(6)	(5)	(20)	(16)
Profit / (Loss) before tax from continuing operations	1,437	(804)	1,521	263
Tax expense	(309)	235	(394)	126
Profit / (Loss) for the period from continuing operations	1,128	(569)	1,127	389
Discontinued operations				
(Loss) / Profit for the period from discontinued operations	(5,494)	443	(4,764)	(65)
(Loss) / Profit for the period	(4,366)	(126)	(3,637)	324
Attributable to:				
Owners of the parents	(3,305)	(195)	(1,962)	389
Non-controlling interests	(1,061)	69	(1,675)	(65)
	(4,366)	(126)	(3,637)	324
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	(2.0)	(0.1)	(1.2)	0.2

(The notes set out on pages 6 to 15 form an integral part of and should be read in conjunction with this interim financial report)



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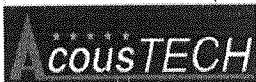
INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual quarter		Cumulative quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	30/09/14 RM'000	30/09/13 RM'000	30/09/14 RM'000	30/09/13 RM'000
(Loss) / Profit for the period	(4,366)	(126)	(3,637)	324
<u>Other comprehensive income/(loss), net of tax:</u>				
Fair value of available-for-sale financial assets	-	(245)	306	(315)
Reclassification adjustment on disposal of available-for-sale financial assets	-	-	(1,835)	-
Total comprehensive (loss) / income	(4,366)	(371)	(5,166)	9
Attributable to:				
Owners of the parents	(3,305)	(440)	(3,491)	74
Non-controlling interests	(1,061)	69	(1,675)	(65)
	(4,366)	(371)	(5,166)	9

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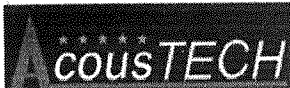
INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30/09/14 RM'000	31/12/13 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	31,236	32,446
Investment in a jointly controlled entity	867	2,342
	<u>32,103</u>	<u>34,788</u>
Current assets		
Inventories	10,628	12,733
Trade and other receivables	41,050	51,482
Amount owing by a joint venture	-	20
Tax recoverable	1,261	1,464
Short term funds	22,780	55,753
Cash, bank balances and deposits	20,865	17,201
Non-current assets classified as held for sale	23,489	25,655
	<u>120,073</u>	<u>164,308</u>
TOTAL ASSETS	<u><u>152,176</u></u>	<u><u>199,096</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	88,911	88,911
Reserves	18,386	57,370
	<u>107,297</u>	<u>146,281</u>
Non-controlling interests	4,160	7,336
TOTAL EQUITY	<u>111,457</u>	<u>153,617</u>
Non-current liabilities		
Deferred taxation	2,235	2,278
Current Liabilities		
Trade and other payables	33,990	41,299
Derivative financial instruments	43	44
Tax liabilities	-	507
Non-current liabilities classified as held for sale	4,451	1,351
	<u>38,484</u>	<u>43,201</u>
TOTAL LIABILITIES	<u>40,719</u>	<u>45,479</u>
TOTAL EQUITY AND LIABILITIES	<u><u>152,176</u></u>	<u><u>199,096</u></u>
Net assets per share attributable to owners of the parent (RM)	0.60	0.82

(The notes set out on pages 6 to 15 form an integral part of and should be read in conjunction with this interim financial report)



ACOUSTECH BERHAD (Co. No : 496665-W)

INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	30/09/14 RM'000	30/09/13 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation		
- continuing operations	1,521	(447)
- discontinued operations	(5,356)	1,290
Adjustments for non cash items	<u>1,435</u>	<u>3,359</u>
Operating (loss) / profit before working capital changes	(2,400)	4,202
Net changes in working capital	<u>4,810</u>	<u>7,181</u>
Cash generated from operations	2,410	11,383
Interest paid	(21)	(40)
Tax refunded / (paid)	<u>204</u>	<u>(1,481)</u>
Net cash from operating activities	<u><u>2,593</u></u>	<u><u>9,862</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	972	1,046
Proceed from disposal of investment	5,590	-
Dividend paid to non-controlling interest	(1,500)	-
Dividend received	1,650	885
Proceeds from disposal of property, plant and equipment	16	-
Purchase of property, plant and equipment	(1,236)	(1,106)
Short term funds	3,988	4,166
Treasury Shares	(1,791)	-
Net cash from investing activities	<u><u>7,689</u></u>	<u><u>4,991</u></u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to the shareholders of the Company	(33,703)	(6,858)
Net cash used in financing activities	<u><u>(33,703)</u></u>	<u><u>(6,858)</u></u>
Net (decrease) / increase in cash and cash equivalents	(23,421)	7,995
Effects of exchange rate fluctuations on cash and cash equivalents	544	(139)
Cash and cash equivalents at beginning of financial period	<u>73,663</u>	<u>52,021</u>
Cash and cash equivalents at end of financial period	<u><u>50,786</u></u>	<u><u>59,877</u></u>

(The notes set out on pages 6 to 15 form an integral part of and should be read in conjunction with this interim financial report)



ACOUSTECH BERHAD (Co. No : 496665-W)
INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014
 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					Total equity RM'000
	Share capital RM'000	Non-distributable Share premium RM'000	Available-for-sales reserves RM'000	Retained profits RM'000	Treasury shares RM'000	
At 1 Jan 2014	88,911	7,342	1,529	54,028	(5,528)	153,617
Loss for the financial year	-	-	-	(1,962)	-	(3,637)
Fair value gain on available-for-sale investment	-	-	306	-	-	306
Reclassification adjustment on disposal of available-for-sale financial assets	-	-	(1,835)	-	-	(1,835)
Total comprehensive loss	-	-	(1,529)	(1,962)	-	(5,166)
Dividend paid in respect of financial year ended 31 December 2013	-	-	-	(33,703)	-	(33,703)
Dividend paid to non controlling interests of a subsidiary company	-	-	-	-	-	(1,500)
Repurchase of shares	-	-	-	-	(1,791)	(1,791)
At 30 September 2014	88,911	7,342	-	18,363	(7,319)	111,457
At 1 Jan 2013	88,911	7,342	1,214	60,068	(5,528)	160,298
Total comprehensive income/(loss)	-	-	(315)	389	-	9
Dividend paid in respect of financial year ended 31 December 2011	-	-	-	(6,858)	-	(6,858)
At 30 September 2013	88,911	7,342	899	53,599	(5,528)	153,449

(The notes set out on pages 6 to 15 form an integral part of and should be read in conjunction with this interim financial report)

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 2013.

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 2013, except for the adoption of the following:

MFRSs/ Amendments/Interpretations	Effective date
Amendments to MFRS 10, <i>Consolidated Financial Statements: Investment Entities</i>	1 January 2014
Amendments to MFRS 12, <i>Disclosure of Interests in Other Entities: Investment Entities</i>	1 January 2014
Amendments to MFRS 127, <i>Separate Financial Statements (2011): Investment Entities</i>	1 January 2014
Amendments to MFRS 132, <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 136, <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139, <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
IC Interpretation 21, <i>Levies</i>	1 January 2014

The initial application of the aforesaid applicable standards, amendments or interpretations are not expected to have any material financial impacts to the current and prior periods financial statements upon their first adoption.

EXPLANATORY NOTES

The figures have not been audited

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2013 was not qualified.

3. Segmental Information

	Audio RM'000	(Discontinued Operations) Chemical paints RM'000	(Discontinued Operations) Electrical equipment RM'000	Total RM'000
9-month ended 30 September 2014				
Revenue				
External revenue	121,395	12,347	4,112	137,854
Results				
Segment results	1,583	(908)	(6,354)	(5,679)
Unallocated corporate expenses				(128)
Operating loss				(5,807)
Finance costs				(38)
Gain on disposal of investment	-	1,835	-	1,835
Share of results of a joint venture	-	-	175	175
Loss before tax				(3,835)
Tax expense				198
Loss for the period				(3,637)
9-month ended 30 September 2013				
Revenue				
External revenue	148,676	8,180	24,015	180,871
Results				
Segment results	457	(489)	426	394
Unallocated corporate expenses				(174)
Operating profit				220
Finance costs				(52)
Dividend income	-	420	-	420
Share of results of a joint venture	-	-	255	255
Profit before tax				843
Tax expense				(519)
Profit for the period				324

EXPLANATORY NOTES

The figures have not been audited

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

Sales of the Group are seasonal and are affected by economic conditions in countries in which the products are sold.

7. Dividends Paid

	Current year to date RM'000 30/09/14	Preceding year to date RM'000 30/09/13
Special interim single tier dividend of 20.0 sen per ordinary share of RM0.50 each for the financial year ending 31 December 2014 (31 December 2012: 4.0 sen)	33,703	6,858

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

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.

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.

EXPLANATORY NOTES

The figures have not been audited

11. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets since the last annual balance sheet date.

12. Subsequent Events

There were no material events subsequent to 30 September 2014 that have not been reflected in the interim report.

13. Review of Performance

The Group incurred loss before tax of RM3.8 million (continuing operations – profit RM1.5 million; discontinued operations – loss RM5.3 million) for the 9-month period ended 30 September 2014 compared to a profit before tax of RM843,000 (continuing operations – loss RM447,000; discontinued operations – profit RM1.290 million) in the previous corresponding period.

The results were affected by the cessation of manufacturing activities in the electrical equipment division which has resulted in an one-off impairment loss on trade receivables of RM4.2 million. The results were also affected by higher operating costs incurred by the chemical paint division. Despite with lower sales, the audio division recorded higher profit mainly attributable to change in product mix.

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

The Group recorded loss before tax of RM4.6 million for the current quarter 2014 compared to a loss before tax of RM245,000 in the immediate preceding quarter mainly due to the cessation of manufacturing activities in the electrical equipment division which has resulted in an one-off impairment loss on trade receivables of RM4.2 million as well as higher operating cost incurred by the chemical paint.

15. Prospects for the current financial year

Barring unforeseen circumstances, the Directors expect the business prospects for the audio division for the financial year ending 31 December 2014 to be highly challenging given lower demand and uncertain macro-economic outlook. The Company had entered into conditional agreement to dispose of the water dispenser manufacturing equipment and activities of FPEQ and the entire equity interest in FPC (please see note 20). The Board is actively looking for new ways or avenues of business.

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) Profit Before Tax From Continuing Operations

The profit before tax of the Group from continuing operations is arrived at after charging/(crediting):

	Current Quarter 30/09/14 RM'000	Current Quarter 30/09/13 RM'000	Cumulative Quarter 30/09/14 RM'000	Cumulative Quarter 30/09/13 RM'000
Depreciation and amortisation	801	862	2,347	2,652
Dividend income	-	-	-	-
Foreign exchange (gain) / loss	(143)	1,066	(237)	1,421
Derivatives gain	-	(391)	-	(50)
Interest income	(11)	(8)	(40)	(25)
Income from short term funds	(87)	(167)	(722)	(749)
Interest expense	3	3	12	12
Property, plant and equipment written off	1	3	2	14

(ii) Cash and Cash Equivalents

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

	Current year to date RM'000 30/09/14	Preceding year to date RM'000 30/09/13
Continuing operations		
Short term funds	22,780	29,807
Cash, bank balances and deposits	20,865	13,702
Discontinued operations		
Cash, bank balances and deposits	7,141	16,368
	50,786	59,877

EXPLANATORY NOTES
The figures have not been audited
18. Discontinued Operations Classified As Held For Sale (continued)

An analysis of the results of the discontinued operations is as follows:

	Current Quarter 30/09/14 RM'000	Current Quarter 30/09/13 RM'000	Cumulative Quarter 30/09/14 RM'000	Cumulative Quarter 30/09/13 RM'000
Revenue	4,446	11,491	16,457	32,195
Operating expenses	(10,917)	(11,661)	(24,653)	(34,358)
Other operating income	406	1,158	848	2,525
(Loss) / Profit from operations	(6,065)	988	(7,348)	362
Finance costs	(5)	(15)	(18)	(36)
Gain on disposal of investment	-	-	1,835	-
Share of profit of a joint venture	22	75	175	255
(Loss) / Profit before tax	(6,048)	1,048	(5,356)	581
Tax expense	554	(605)	592	(646)
(Loss) / Profit for the period	(5,494)	443	(4,764)	(65)

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

	Current Quarter 30/09/14 RM'000	Current Quarter 30/09/13 RM'000	Cumulative Quarter 30/09/14 RM'000	Cumulative Quarter 30/09/13 RM'000
Charging / (Crediting):-				
Depreciation and amortisation	320	328	971	983
Dividend income	-	-	-	420
Foreign exchange gain	(250)	(977)	(54)	(1,266)
Derivatives loss / (gain)	43	-	(1)	19
Interest income	(51)	(78)	(128)	(221)
Income from short term funds	(12)	(15)	(44)	(50)
Interest expense	3	12	10	28
Impairment loss on receivables	4,158	-	4,158	-
Property, plant and equipment written off	-	2	-	4

EXPLANATORY NOTES

The figures have not been audited

18. Discontinued Operations Classified As Held For Sale (continued)

An analysis of the carrying amount of the non-current assets held for sale is as follows:-

	As at 30/09/14 RM'000
Assets:	
Property, plant and equipment	9,820
Inventories	3,100
Receivables, deposits and prepayments	3,267
Current tax asset	142
Deferred taxation	19
Bank and cash balances	7,141
Assets of disposal group classified as held for sale	<u>23,489</u>
Liabilities:	
Payables and accruals	<u>4,451</u>
Liabilities of disposal group classified as held for sale	<u>4,451</u>
Net assets of disposal group classified as held for sale	<u><u>19,038</u></u>

The cash flow attributable to the discontinued operations is as follows:

	As at 30/09/14 RM'000
Operating activities	3,152
Investing activities	2,666
Financing activities	<u>(7,000)</u>
Net cash outflow	<u><u>(1,182)</u></u>

EXPLANATORY NOTES

The figures have not been audited

19. Income Tax Expense

The taxation of the group from the continuing operation comprises of the following:

	Current Quarter 30/09/14 RM'000	Current Quarter 30/09/13 RM'000	Cumulative Quarter 30/09/14 RM'000	Cumulative Quarter 30/09/13 RM'000
In respect of current period				
- income tax	289	103	290	335
- deferred tax	10	(279)	10	(402)
In respect of prior year				
- income tax	10	(59)	94	(59)
	309	(235)	394	(126)

The effective tax rate for the financial year-to-date is higher than the statutory tax rate mainly due to a loss in a subsidiary not available for group set-off.

20. Corporate Proposals

1. On 18 June 2014, the Board of Director announced that its subsidiary, Formosa Prosonic Equipment Sdn Bhd ("FPEQ"), had on 17 June 2014 entered into the following agreements ("collectively referred to as the "agreements") with Angel Water System Technology Sdn Bhd ("the Purchaser") (formerly known as Grand Offshore Sdn Bhd) for the total consideration of RM9,560,000.00.

1.1 Comprehensive Manufacturing Asset Purchase Agreement ("CMAPA") to dispose of FPEQ's entire manufacturing assets situated at No. 11, Jalan Sultan Mohamed 5, Bandar Sultan Suleiman, Taiwanese Industrial Park, Port Klang to the Purchaser on an "as-is-where-is" on a willing-buyer and willing-seller basis which shall be free from all encumbrances with all rights attaching thereon for RM1,560,000.00 and subject to the terms and conditions as stipulated in the CMAPA; and

1.2 Sale and Purchase Agreement ("SPA") to dispose of the Land situated at Lot 11, Jalan Sultan Mohamed 5, Bandar Sultan Sulaiman, 42000 Port Klang, Selangor Darul Ehsan and the factory building constructed thereon (which aforesaid land and building are hereinafter collectively referred to as "the Said Property") to the Purchaser on an "as-is-where-is" basis free from all encumbrances and with vacant/legal possession for RM8,000,000.00 subject to the conditions of title and restrictions-in-interest endorsed on the document of title to the Said Property or otherwise affecting the Said Property and the existing category of land use and upon the terms as stipulated in SPA.

(collectively referred to as "the Disposals").

Upon completion of the Proposed Disposals, FPEQ shall cease its manufacturing business in relation to the manufacture of water dispensers.

EXPLANATORY NOTES

The figures have not been audited

20. Corporate Proposals (continued)

2. On 30 September 2014, the Board of Directors announced that the Company had on 30 September 2014 entered into a Share Sale Agreement ("SSA") with QVirtual Resources Sdn Bhd (1074069-D) ("QVirtual" or "the Purchaser") for the disposal of 11,000,000 ordinary shares of RM1.00 each ("Shares") representing 100% of the equity interest in Formosa Prosonic Chemicals Sdn Bhd ("FPC") for a total cash consideration of RM11,500,000.00 ("Purchase Consideration") ("Proposed Disposal").

Upon completion of the above Proposed Disposal, FPC shall cease to be a wholly-owned subsidiary of the Company.

21. Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 30 September 2014.

22. Material Litigation

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

23. Dividend Payable

The Board has on 14 May 2014 paid a special interim single tier tax exempt dividend of 20.0 sen per ordinary share of RM0.50 each in respect of the financial year ending 31 December 2014 whose names appear in the Record of Depositors of the Company at the close of business on 28 April 2014.

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

EXPLANATORY NOTES

The figures have not been audited

24. Earnings Per Share

Basic earnings per share

	Current Quarter 30/09/14	Current Quarter 30/09/13	Cumulative Quarter 30/09/14	Cumulative Quarter 30/09/13
Profit / (Loss) attributable to equity holders of the parent (RM'000)				
from:				
- continuing operations	1,092	(602)	1,164	412
- discontinued operations	(4,397)	407	(3,126)	(23)
	<u>(3,305)</u>	<u>(195)</u>	<u>(1,962)</u>	<u>389</u>
Weighted average no. of shares in issue ('000)	169,266	171,445	169,266	171,445
Basic EPS (sen)				
From:				
- continuing operations	0.6	(0.3)	0.7	0.2
- discontinued operations	(2.6)	0.2	(1.9)	- *
	<u>(2.0)</u>	<u>(0.1)</u>	<u>(1.2)</u>	<u>0.2</u>

* Negligible

25. Realised and Unrealised Profits

	As At End Of Current Quarter 30/09/14 RM'000	As At End Of Preceding Quarter 30/06/14 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	38,263	43,229
- Unrealised	(1,284)	(1,836)
	<u>36,979</u>	<u>41,393</u>
Total share of retained profits from a joint venture:		
- Realised	(968)	(978)
- Unrealised	19	7
	<u>(949)</u>	<u>(971)</u>
	<u>36,030</u>	<u>40,422</u>
Less: Consolidation adjustments	(17,667)	(18,754)
Total Group retained profits	<u>18,363</u>	<u>21,668</u>