

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 2015.

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 2015.

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
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10 and 128 <i>Sales or Contribution of Assets between an investor and its Associates or Joint Venture</i>	Deferred
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRSs <i>Annual Improvements to 2012-2014 Cycle</i>	1 January 2016
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018

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



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2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2015 was not qualified.

3. Segmental Information

	Audio division RM'000	Property development division RM'000	Investment holding segment RM'000	Electrical equipment (Discontinued operations) RM'000	Total RM'000
3-month ended 31 March 2016					
Revenue					
External revenue	15,972	927	-	-	16,899
Results					
Segment results	(1,991)	(770)	-	-	(2,761)
Unallocated corporate expenses					195
Operating loss					(2,566)
Finance costs					(7)
Unrealised gain on forex	990	-	-	-	990
Interest income	93	-	3	-	96
Other income	91	-	-	-	91
Loss before tax					(1,396)
Tax expense					215
Loss for the period					(1,181)
3-month ended 31 March 2015					
Revenue					
External revenue	27,825	-	-	-	27,825
Results					
Segment results	(1,116)	-	-	132	(984)
Unallocated corporate expenses					23
Operating loss					(961)
Finance costs					(6)
Share of results of a joint venture	-	-	-	(3)	(3)
Loss before tax					(970)
Tax expense					80
Loss for the period					(890)



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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

The Board of Directors has not paid any dividend for the current quarter (31 March 2015: Nil).

A first and final single-tier dividend of 2.5 sen per ordinary share proposed by the Board of Directors for the financial year ended 31 December 2015 will be paid if approved at the coming Annual General Meeting on 1 June 2016.

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 except for as disclosed in Note 21.

EXPLANATORY NOTES

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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 31 March 2016 that have not been reflected in the interim report.

13. Review of Performance

During the financial period under review, turnover recorded by the Group's audio division was lower at RM16 million as compared to RM27.8 million in the previous corresponding period mainly due to the scaled back operations of the division. Owing to the recovery of the Ringgit Malaysia against the US Dollar during the quarter, the audio division was also affected by a net currency fluctuation loss of RM1.7 million. The property development division registered a turnover of only RM0.9 million during the current period as subsidiary Teras Eco Sdn Bhd was unable to register further sales due to Bumi units quota.

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

The Group posted a loss before tax of RM1.4 million for the current quarter compared to a profit before tax of RM2.9 million in the immediate preceding quarter primarily due to lower profit recognition and sales of the property development division as explained in item 13 above.

15. Prospects for the current financial year

The Board of Directors foresees the economic climate for the current year to remain challenging due to uncertainties of foreign exchange rates and the weak consumer demands which affects the manufacturing business and the banks' tightened lending policies which impacts sales of its property development business. The Board of Directors will continue to evaluate options and take necessary steps to improve the performance of Group's 2 divisions. As a follow through with the diversification strategy, the Board of Directors remain optimistic on the performance of its property division and will continue to assess and tap into prospective development with fast turnarounds in order to improve its cashflow and profitability in the short to medium term.

EXPLANATORY NOTES

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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.

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 31/03/16 RM'000	Preceding Year Corresponding Quarter 31/03/15 RM'000	Cumulative Quarter 31/03/16 RM'000	Cumulative Quarter 31/03/15 RM'000
Depreciation and amortisation	156	550	156	550
Foreign exchange (gain) / loss	2,314	(271)	2,314	(271)
Derivatives (gain) / loss	(618)	209	(618)	209
Interest income	(8)	(13)	(8)	(13)
Income from short term funds	(88)	(359)	(88)	(359)
Interest expense	7	4	7	4
Loss on disposal of property, plant and equipment	-	562	-	562

(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 31/03/16	Preceding year to date RM'000 31/03/15
Continuing operations		
Short term funds	15,173	50,559
Cash, bank balances and deposits	8,220	10,055
Discontinued operations		
Cash, bank balances and deposits		
	23,393	60,614

EXPLANATORY NOTES

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18. Discontinued Operations Classified As Held For Sale

An analysis of the results of the discontinued operations for the corresponding period of the preceding year is as follows:

	Current Quarter 31/03/16 RM'000	Preceding Year Corresponding Quarter 31/03/15 RM'000	Cumulative Quarter 31/03/16 RM'000	Cumulative Quarter 31/03/15 RM'000
Operating expenses	-	(4)	-	(4)
Other operating income	-	134	-	134
Profit / (Loss) from operations	-	130	-	130
Finance costs	-	(1)	-	(1)
Share of (loss) / profit of a joint venture	-	(3)	-	(3)
Profit before tax	-	126	-	126
Tax expense	-	(30)	-	(30)
Profit for the year	-	96	-	96

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

	Current Quarter 31/03/16 RM'000	Preceding Year Corresponding Quarter 31/03/15 RM'000	Cumulative Quarter 31/03/16 RM'000	Cumulative Quarter 31/03/15 RM'000
Charging / (Crediting):-				
Foreign exchange gain	-	(76)	-	(76)
Interest income	-	(8)	-	(8)
Income from short term funds	-	(45)	-	(45)

EXPLANATORY NOTES

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

An analysis of the carrying amount of the non-current assets held for sale of the discontinued operations in the corresponding period is as follows:-

	As at 31/03/15 RM'000
Assets of disposal group (land and building) classified as held for sale:	<u>18,479</u>

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

	As at 31/03/15 RM'000
Operating activities	454
Investing activities	53
Net cash inflow	<u>507</u>

19. Non-Current Assets Classified As Held For Sale

The non-current assets classified as held for sale are in respect of the proposed disposal of a leasehold land and building constructed thereon by wholly owned subsidiary Formosa Prosonic Technics Sdn Bhd (“FPT”) for a cash consideration of RM11 million. The proposal was announced by the Board of Directors and the disposal is pending completion.

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

	As at 31/03/16 RM'000
Leasehold land	3,410
Building	6,445
Renovation	502
Electrical installation	64
	<u>10,421</u>

EXPLANATORY NOTES

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20. Income Tax Expense

The taxation of the Group for continuing operation comprises the following:

	Current Quarter 31/03/16 RM'000	Preceding Year Corresponding Quarter 31/03/15 RM'000	Cumulative Quarter 31/03/16 RM'000	Cumulative Quarter 31/03/15 RM'000
In respect of current period				
- income tax	79	30	79	30
- deferred tax	(294)	(110)	(294)	(110)
	(215)	(80)	(215)	(80)

The effective tax rate for the financial year-to-date is higher than the statutory tax rate mainly due to certain expenses not allowable for deduction.

21. Corporate Proposals

- (a) There were no corporate proposals announced which remained incomplete as at the date of issue of the interim report except for the announcement made on 18 January 2016, wherein the Board of Directors announced that FPT, a wholly owned subsidiary of the Company, had entered into:
- (i) A sale and purchase agreement (“SPA”) with Full Sprint Sdn Bhd (“FS”) for the proposed disposal a leasehold land with title particulars PM 4012, Lot No. 40702, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor with address known as Lot 2D, Jalan Sultan Mohamed 1, Kawasan Perindustrian Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor Darul Ehsan together with buildings constructed thereon (“Property”) for a cash consideration of RM11,000,000.00 (“Proposed Disposal”); and
 - (ii) A tenancy agreement with FS for the rental of the Property upon completion of the Proposed Disposal (“Proposed Tenancy Agreement”).
- (b) On 18 May 2016, the Board of Directors announced that wholly owned subsidiary Teras Eco Sdn Bhd had entered into a Development Agreement with PIJ Property Development Sdn Bhd for the development of sixty (60) units of three storey shop offices, among others, on a piece of land held under PTD 9378 located in Tanjung Sepang, District of Kota Tinggi, State of Johor.
- (c) On 16 May 2016, the Board of Directors announced that newly incorporated Teras Eco Resources Sdn Bhd became a wholly owned subsidiary company following acquisition from unrelated third parties two (2) ordinary shares of RM1.00 each representing 100% of the issued and paid up capital in the company for cash consideration of RM2.00.



EXPLANATORY NOTES

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22. Group Borrowings and Debt Securities

Group borrowings, which are denominated in Ringgit Malaysia, as at 31 March 2016 are as follows:

(a) Short term borrowings	RM'000
<u>Unsecured</u>	
Hire purchase	27
<u>Secured</u>	
Term loans	6,455
	<u>6,482</u>
(b) Long term borrowings	RM'000
<u>Unsecured</u>	
Hire purchase	234
<u>Secured</u>	
Term loans	25,273
	<u>25,507</u>

23. Material Litigation

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

24. Dividend Payable

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

EXPLANATORY NOTES

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25. Earnings Per Share

Basic earnings per share

	Current Quarter 31/03/16	Preceding Year Corresponding Quarter 31/03/15	Cumulative Quarter 31/03/16	Cumulative Quarter 31/03/15
Profit / (Loss) attributable to equity holders of the parent (RM'000)				
from:				
- continuing operations	(1,181)	(1,408)	(1,181)	(1,408)
- discontinued operations	-	96	-	96
	(1,181)	(1,312)	(1,181)	(1,312)
Weighted average number of shares in issue ('000)	167,292	168,517	167,292	168,517
Basic EPS (sen)				
From:				
- continuing operations	(0.7)	(0.8)	(0.7)	(0.8)
- discontinued operations	-	*	-	*
	(0.7)	(0.8)	(0.7)	(0.8)

* Marginal

26. Realised and Unrealised Profits

	As At End Of Current Quarter 31/03/16 RM'000	As At End Of Preceding Year 31/12/15 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	42,222	42,923
- Unrealised	(1,721)	(875)
	40,501	42,048
Less: Consolidation adjustments	(12,383)	(12,749)
Total Group retained profits	28,118	29,299