

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.

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.



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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
6-month ended 30 June 2016					
Revenue					
External revenue	31,636	18,197	-	-	49,833
Results					
Operating profit/(loss)	(1,703)	2,531	(1,212)	-	(384)
Finance costs	(7)	(7)	-	-	(14)
Unrealised gain on forex	224	-	-	-	224
Interest income	214	-	3	-	217
Other income	114	-	-	-	114
Profit/(Loss) before tax	(1,158)	2,524	(1,209)	-	157
Tax expense					(676)
Loss for the period					(519)
6-month ended 30 June 2015					
Revenue					
External revenue	45,951	-	-	-	45,951
Results					
Operating loss	(1,518)	-	(395)	(8)	(1,921)
Finance costs	(10)	-	-	(1)	(11)
Unrealised gain on forex	616	-	-	-	616
Interest income	443	-	368	273	1,084
Other income	1,092	-	-	2,435	3,527
Share of results of a joint venture	-	-	-	(3)	(3)
Profit/(Loss) before tax	623	-	(27)	2,696	3,292
Tax expense					(271)
Profit for the period					3,021

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.



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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 (30 June 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 was approved at the Annual General Meeting held on 1 June 2016 and was paid on 18 July 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.

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 June 2016 that have not been reflected in the interim report.

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13. Review of Performance

During the financial period under review, the Group's registered a turnover of RM50 million compared to RM46 million in the corresponding period of the preceding year. The higher turnover was owing to the performance of the property development segment during the period following successful release of the sale of Bumiputera designated units. Although the audio segment maintained its sales momentum from preceding quarter, its profit margin remained low due to higher selling and distribution costs, a gross loss in current quarter and continued foreign exchange losses hence resulting in a pre-tax loss of RM1.2 million.

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

The Group recorded a pre-tax profit of RM1.6 million for the current quarter as compared to a pre-tax loss of RM1.4 million as at end of immediate preceding quarter, representing an improvement of RM3 million. The better result is primarily due to the higher profit contribution generated by the property development segment amounting to RM3 million. This represents approximately 17% of the segment's turnover or 9% of the Group's turnover.

15. Prospects for the current financial year

The Board of Directors anticipates the challenges faced by the economy to remain for the current year. Despite a mild recovery earlier in the year, the volatility of the foreign exchange rates and the weak overall consumer sentiment is expected to prevail and impact the two main segments of the Group, particularly the audio segment. However, the recent reduction in Bank Negara Malaysia overnight policy rate is expected to spur borrowing activity and hopefully increase demand and transactions of the property industry. The Board of Directors will continue to market the remaining unsold cluster factories at Senibong 88 and focus on the impending launch of Desa 88, a project comprised of cluster and detached factories in Plentong, Johor Bahru.

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.

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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 30/06/16 RM'000	Preceding Year Corresponding Quarter 30/06/15 RM'000	Cumulative Quarter 30/06/16 RM'000	Preceding Year Cumulative Quarter 30/06/15 RM'000
Depreciation and amortisation	130	363	286	913
Foreign exchange (gain) / loss	1,530	(436)	784	(707)
Derivatives (gain) / loss	453	(182)	(165)	27
Interest income	(3)	(14)	(11)	(27)
Income from short term funds	(118)	(425)	(206)	(784)
Interest expense	7	2	14	6
Loss on disposal of property, plant and equipment	6	-	6	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 30/06/16	Preceding year to date RM'000 30/06/15
Continuing operations		
Short term funds	19,500	38,343
Cash, bank balances and deposits	6,325	22,535
	25,825	60,878

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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 30/06/16 RM'000	Preceding Year Corresponding Quarter 30/06/15 RM'000	Cumulative Quarter 30/06/16 RM'000	Cumulative Quarter 30/06/15 RM'000
Operating expenses	-	(7)	-	(11)
Other operating income	-	2,574	-	2,708
Profit / (Loss) from operations	-	2,567	-	2,697
Finance costs	-	-	-	(1)
Share of profit / (loss) of a joint venture	-	-	-	(3)
Profit before tax	-	2,567	-	2,693
Tax expense	-	(37)	-	(67)
Profit for the year	-	2,530	-	2,626

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

	Current Quarter 30/06/16 RM'000	Preceding Year Corresponding Quarter 30/06/15 RM'000	Cumulative Quarter 30/06/16 RM'000	Cumulative Quarter 30/06/15 RM'000
Charging / (Crediting):-				
Foreign exchange gain	-	(19)	-	(95)
Interest income	-	(170)	-	(178)
Income from short term funds	-	(50)	-	(95)

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

	As at 30/06/15 RM'000
Operating activities	23
Investing activities	47
Financing activities	(6,000)
Net cash flow	5,930

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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 30/06/16 RM'000
Leasehold land	3,410
Building	6,445
Renovation	502
Electrical installation	64
	<u>10,421</u>

20. Income Tax Expense

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

	Current Quarter 30/06/16 RM'000	Preceding Year Corresponding Quarter 30/06/15 RM'000	Cumulative Quarter 30/06/16 RM'000	Preceding Year Cumulative Quarter 30/06/15 RM'000
In respect of current period				
- income tax	915	52	994	82
- deferred tax	(25)	299	(319)	189
	<u>890</u>	<u>351</u>	<u>675</u>	<u>271</u>

The effective tax rate for the financial year-to-date is higher than the statutory tax rate mainly due to the effects of the pre-tax losses of the audio segment over the pre-tax profits of the property segment.

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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 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.
- (c) 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.
- (d) On 23 June 2016, the Board of Directors announced that the Company has entered into a Framework Agreement (“FA”) with Stone Master Corporation Berhad (“SMCB”) where, in principle, SMCB agrees to offer building and construction material related products and/or services under an interest free vendor financing program to the Company over eighteen (18) months subject to terms and conditions stated in the FA.



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22. Group Borrowings and Debt Securities

Group borrowings, which are denominated in Ringgit Malaysia, as at 30 June 2016 are as follows:

(a) **Short term borrowings**

	RM'000
<u>Unsecured</u>	
Hire purchase	18
<u>Secured</u>	
Term loans & bridging finance	4,587
	<u>4,605</u>

(b) **Long term borrowings**

	RM'000
<u>Unsecured</u>	
Hire purchase	234
<u>Secured</u>	
Term loans & bridging finance	24,895
	<u>25,129</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.

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25. Earnings Per Share
Basic earnings per share

	Current Quarter 30/06/16	Preceding Year Corresponding Quarter 30/06/15	Cumulative Quarter 30/06/16	Preceding Year Cumulative Quarter 30/06/15
Profit / (Loss) attributable to equity holders of the parent (RM'000)				
from:				
- continuing operations	662	1,803	(519)	395
- discontinued operations	-	1,474	-	1,571
	662	3,277	(519)	1,966
Weighted average number of shares in issue ('000)	167,215	168,517	167,215	168,517
Basic EPS (sen)				
From:				
- continuing operations	0.4	1.1	(0.3)	0.2
- discontinued operations	-	0.8	-	1.0
	0.4	1.9	(0.3)	1.2

26. Realised and Unrealised Profits

	As At End Of Current Quarter 30/06/16 RM'000	As At End Of Preceding Year 31/12/15 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	39,339	42,923
- Unrealised	(807)	(875)
	38,532	42,048
Less: Consolidation adjustments	(13,930)	(12,749)
Total Group retained profits	24,602	29,299