

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
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
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 and Clarifications to MFRS15</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019

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
9-months ended 30 September 2016					
Revenue					
External revenue	45,957	18,628	-	-	64,585
Results					
Operating profit/(loss)	(2,175)	1,952	(1,365)	-	(1,588)
Finance costs	(11)	(11)	-	-	(22)
Gain on disposal of property, plant and equipment	531	-	-	-	531
Unrealised gain on forex	104	-	-	-	104
Interest income	288	-	3	-	291
Other income	186	-	9	-	195
Profit/(Loss) before tax	(1,077)	1,941	(1,353)	-	(489)
Tax expense					(809)
Loss for the period					(1,298)
9-months ended 30 September 2015					
Revenue					
External revenue	67,982	9,493	-	-	77,475
Results					
Operating profit/(loss)	(2,502)	428	(919)	79	(2,914)
Finance costs	(13)	(3)	-	(1)	(17)
Gain on disposal of property, plant and equipment	2,871	-	-	2,335	5,206
Unrealised gain on forex	3,214	-	-	-	3,214
Interest income	666	-	487	347	1,500
Rental income	305	-	-	-	305
Other income	3,069	153	-	306	3,528
Share of results of a joint venture	-	-	-	(3)	(3)
Profit/(Loss) before tax	7,610	578	(432)	3,063	10,819
Tax expense					(1,504)
Profit for the period					9,315

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 September 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 September 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 posted a turnover of RM65 million compared to RM77 million in the corresponding period of the preceding year. The property development segment recorded a two-fold increase in turnover from RM9 million for three quarters of 2015 to RM19 million for the same period this year. However, for the audio segment, the year-to-date turnover declined from RM68 million in 2015 to RM46 million in the current period. The continued low profit margin of audio segment, escalating selling and distribution costs and unfavourable foreign exchange rates have also continued to impact the profitability of the audio segment, settling at RM1.1 million pre-tax loss for the period under review.

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

The Group posted a pre-tax loss of RM0.6 million for the current quarter as compared to pre-tax profit of RM1.6 million for the preceding quarter. The pre-tax loss position is primarily attributed to the lower profit recognition for Senibong 88 project in the current quarter as the progress of construction already neared completion at end of the preceding quarter. The low profit recognition was unable to buffer the operating overheads of the property development segment. Pre-tax loss registered by the property development segment for current quarter amounted to RM0.6 million as compared to pre-tax profit of RM2.8 million it posted for preceding quarter. The audio segment on the other hand has registered a slight improvement having posted a pre-tax profit of RM0.1 million for the quarter under review as compared to a pre-tax loss of RM0.3 million for the preceding quarter.

15. Prospects for the current financial year

Based on the recent 2017 Budget tabled by the Government, the Malaysian economy is expected to remain sluggish to moderate with global economic uncertainties such as fluctuating currencies and the direction of crude oil prices remaining as a concern. Despite the Government's effort to boost economic activity such as the reduction in the banks overnight policy rate amongst others, the investment climate remains subdued with prospective local and foreign investors putting off major investment decisions such as the purchase of real estate and properties until there is stability in the economy. As a result of this wait and see attitude, the Group's property division is experiencing longer periods to conclude sales and also having to experience intense competition from other developers trying to clear stock. For the manufacturing division, the subdued global demand for consumer electrical products is set to persist with the other challenge of escalating manufacturing costs due in part to labour shortage and increasing distribution costs which continues to erode margins. In any event, given the challenging macro and microeconomic conditions and barring unforeseen circumstances, the Group is cautiously optimistic of its overall performance for the current financial year with the property division remaining profitable as it is confident of clearing up the majority of its present unsold commercial units and attempts ways to cut cost and maximise the value of its development lands.

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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 30/09/16 RM'000	Preceding Year Corresponding Quarter 30/09/15 RM'000	Cumulative Quarter 30/09/16 RM'000	Preceding Year Cumulative Quarter 30/09/15 RM'000
Depreciation and amortisation	147	228	433	1,141
Foreign exchange (gain) / loss	(785)	(4,045)	(1)	(4,725)
Derivatives (gain) / loss	404	(82)	239	(55)
Interest income	(9)	(28)	(20)	(55)
Income from short term funds	(65)	(314)	(271)	(1,099)
Interest expense	8	3	22	13
(Gain) / loss on disposal of property, plant and equipment	(537)	(2,871)	(531)	(2,309)

(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 30/09/16	Preceding year to date RM'000 30/09/15
Continuing operations		
Short term funds	15,665	54,062
Cash, bank balances and deposits	14,868	17,227
Discontinued operations		
Short term funds	-	5,036
Cash, bank balances and deposits	-	2,868
	30,533	79,193

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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 30/09/16 RM'000	Preceding Year Corresponding Quarter 30/09/15 RM'000	Cumulative Quarter 30/09/16 RM'000	Cumulative Quarter 30/09/15 RM'000
Operating expenses	-	(39)	-	(50)
Other operating income	-	409	-	3,117
Profit / (Loss) from operations	-	370	-	3,067
Finance costs	-	-	-	(1)
Share of profit / (loss) of a joint venture	-	-	-	(3)
Profit before tax	-	370	-	3,063
Tax expense	-	(78)	-	(145)
Profit for the year	-	292	-	2,918

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

	Current Quarter 30/09/16 RM'000	Preceding Year Corresponding Quarter 30/09/15 RM'000	Cumulative Quarter 30/09/16 RM'000	Cumulative Quarter 30/09/15 RM'000
Charging / (Crediting):-				
Foreign exchange (gain) / loss	-	(206)	-	(301)
Interest income	-	(7)	-	(185)
Income from short term funds	-	(66)	-	(161)
(Gain) / Loss on disposal of property, plant and equipment	-	-	-	(2,335)

The cash flow attributable to the discontinued operations in the corresponding period of the preceding year is as follows:

	As at 30/09/15 RM'000
Operating activities	756
Investing activities	8,227
Financing activities	(1,950)
Net cash flow	7,033

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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 (“Proposed Disposal”). The Proposed Disposal was first announced by the Board of Directors on 18 January 2016. On 29 September 2016, the Board of Directors announced that the terms of the Sale and Purchase Agreement (“SPA”) have been fully satisfied and the Proposed Disposal had been completed on 28 September 2016.

An analysis of the carrying amount of the non-current assets held for sale prior to completion of the disposal was as follows:-

	As at end of preceding quarter 30/06/16 RM'000
Leasehold land	3,410
Building	6,445
Renovation	502
Electrical installation	64
	10,421

20. Income Tax Expense

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

	Current Quarter 30/09/16 RM'000	Preceding Year Corresponding Quarter 30/09/15 RM'000	Cumulative Quarter 30/09/16 RM'000	Preceding Year Cumulative Quarter 30/09/15 RM'000
In respect of current period				
- income tax	4	1,210	998	1,292
- deferred tax	(112)	25	(431)	214
In respect of prior year				
- income tax	242	-	242	
	134	1,235	809	1,506

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 profits of the property segment over the pre-tax losses of the audio segment.

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21. Corporate Proposals

- (a) On 18 January 2016, the Board of Directors announced that FPT, a wholly owned subsidiary of the Company, had entered into:
- (i) A SPA with Full Sprint Sdn Bhd (“FS”) for the Proposed Disposal of 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; and
 - (ii) A tenancy agreement with FS for the rental of the Property upon completion of the Proposed Disposal (“Proposed Tenancy Agreement”).

The terms of the SPA have been fully satisfied and the Proposed Disposal has been completed on 28 September 2016.

- (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 of 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.
- (e) On 19 October 2016, the Board of Directors announced that newly incorporated Harum Eco Dormitory Sdn Bhd became a wholly owned subsidiary company following acquisition from Ong Li Tak, an Executive Director of the Company and Tee Kuan Hong, a Director in the Group, of 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.
- (f) On 3 November 2016, the Board of Directors announced that the Company entered into a Joint Venture cum Shareholders’ Agreement with Harum Megah Resources Sdn Bhd (“HMR”), Jaya Dormitory Sdn Bhd and Harum Eco Dormitory Sdn Bhd for the purpose of participating in a project to jointly develop and construct 5 blocks of hostels consisting of 120 residential hostel units on a freehold land measuring 7.37 acres held under title particulars H.S.(D) 215993 PTD 75283 located in Bandar Baru Permas Jaya, Mukim of Plentong, District of Johor Bahru, State of Johor.

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



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22. Group Borrowings and Debt Securities

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

(a) Short term borrowings	RM'000
<u>Unsecured</u>	
Hire purchase	9
<u>Secured</u>	
Term loans & bridging finance	3,767
	<u>3,776</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 30/09/16	Preceding Year Corresponding Quarter 30/09/15	Cumulative Quarter 30/09/16	Preceding Year Cumulative Quarter 30/09/15
Profit / (Loss) attributable to equity holders of the parent (RM'000)				
from:				
- continuing operations	(779)	6,002	(1,298)	6,397
- discontinued operations	-	219	-	1,790
	(779)	6,221	(1,298)	8,187
Weighted average number of shares in issue ('000)	167,189	168,517	167,189	168,517
Basic EPS (sen)				
From:				
- continuing operations	(0.5)	3.6	(0.8)	3.8
- discontinued operations	-	0.1	-	1.1
	(0.5)	3.7	(0.8)	4.9

26. Realised and Unrealised Profits

	As At End Of Current Quarter 30/09/16 RM'000	As At End Of Preceding Year 31/12/15 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	38,445	42,923
- Unrealised	(361)	(875)
	38,084	42,048
Less: Consolidation adjustments	(14,261)	(12,749)
Total Group retained profits	23,823	29,299