

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 2016.

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 2016.

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 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017
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
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS 9 as issued by IASB in July 2014)</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred

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 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 2016 was not qualified.

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3. Segmental Information

	Audio division RM'000	Property development division RM'000	Investment holding segment RM'000	Total RM'000
3-months ended 31 March 2017				
Revenue				
External revenue	8,924	327	-	9,251
Results				
Operating loss	(416)	(985)	(593)	(1,994)
Finance costs	(2)	(145)	-	(147)
Unrealised gain on forex	17	-	-	17
Interest income	123	2	-	125
Other income	593	-	-	593
Share of results in an associate	-	(46)	-	(46)
Profit/(Loss) before tax	315	(1,174)	(593)	(1,452)
Tax expense				(51)
Loss for the period				(1,503)
3-months ended 31 March 2016				
Revenue				
External revenue	15,972	927	-	16,899
Results				
Operating profit/(loss)	(1,991)	(770)	195	(2,566)
Finance costs	(4)	(3)	-	(7)
Unrealised gain on forex	990	-	-	990
Interest income	93	-	3	96
Other income	91	-	-	91
Profit/(Loss) before tax	(821)	(773)	198	(1,396)
Tax expense				215
Loss for the period				(1,181)

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.



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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 2016: 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

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 20.

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 2017 that have not been reflected in the interim report.

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13. Review of Performance

During the financial year under review, the Group recorded a turnover of RM9 million compared to RM17 million in the preceding year. The turnover of RM9 million posted by the audio segment for the quarter under review is approximately 45% lower than that registered in the preceding year. For property development segment, turnover for quarter under review is lower at RM0.3 million compared to RM0.9 million posted in the same quarter of 2016 due to the advanced stage of completion of the ongoing project. The profit margin for audio segment remained low during the quarter as a result of high material and labour costs and was unable to absorb the overhead costs whereas low profits recognised for Senibong 88 project under the development segment also faced the same predicament as the project was completed and on verge of being issued the Certificate of Completion and Compliance. As a consequence, the Group posted a RM1.5 million pre-tax loss.

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 RM1.5 million for the current quarter as compared to a pre-tax profit of RM3.6 million for the preceding quarter. The audio segment registered marginal improvement during the quarter with a pre-tax profit of RM0.3 million as compared to a pre-tax loss of RM1.7 million in the preceding quarter mainly due to foreign exchange gains. Compared to a pre-tax profit of RM6.5 million in the preceding quarter, the development segment recorded a pre-tax loss of RM1.2 million during the quarter attributed to the low profit recognition in respect of sold units of Senibong 88 properties as much of the profits in respect of those units was recognised in previous financial periods and the project was near completion by end of the quarter.

15. Prospects for the current financial year

The completion of the Group's maiden development project, Senibong 88, marked a significant milestone in the history of the Group, particularly post diversification into the property segment. Whilst the Group will continue to sell the remaining units of the project, focus will be given on the pre-development preparations and commencement of the dormitory project in Permas Jaya, a joint venture project involving the 30% owned associate Harum Eco Dormitory Sdn. Bhd.. We anticipate to launch our next project Desa 88 in Plentong soon, comprising an initial 40 commercial units and due to market and release our other commercial project comprising 60 units of shop offices in Tanjung Sepang. We anticipate to realise a combined gross development value of approximately RM223 million from these projects. The Group's property development and related business has become be the Group's core business and be the main contributor to revenue and profit. In respect of the audio segment, the Group will evaluate its current loss making OEM business and tap on other opportunities that may arise so as to optimise the performance of the segment and of the Group as a whole. The Board of Directors will continue to take cautious steps to mitigate risks and maximise returns.

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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 31/03/17 RM'000	Preceding Year Corresponding Quarter 31/03/16 RM'000	Cumulative Quarter 31/03/17 RM'000	Preceding Year Cumulative Quarter 31/03/16 RM'000
Depreciation and amortisation	146	156	146	156
Foreign exchange loss	481	2,314	481	2,314
Derivatives gain	(587)	(618)	(587)	(618)
Interest income	(5)	(8)	(5)	(8)
Income from short term funds	(120)	(88)	(120)	(88)
Interest expense	145	7	145	7
Loss on disposal of property, plant and equipment	14	-	14	-

(ii) Cash and Cash Equivalents

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

	Current year to date RM'000 31/03/17	Preceding year to date RM'000 31/03/16
Continuing operations		
Short term funds	11,291	15,173
Cash, bank balances and deposits	12,852	8,220
	24,143	23,393

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18. Non-Current Assets Classified As Held For Sale

In the preceding year, 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 quarter ended 30/06/16 RM'000
Leasehold land	3,410
Building	6,445
Renovation	550
Electrical installation	64
	<u>10,469</u>

19. Income Tax Expense

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

	Current Quarter 31/03/17 RM'000	Preceding Year Corresponding Quarter 31/03/16 RM'000	Cumulative Quarter 31/03/17 RM'000	Preceding Year Cumulative Quarter 31/03/16 RM'000
In respect of current period				
- income tax	1	79	1	79
- deferred tax	50	(294)	50	(294)
	<u>51</u>	<u>(215)</u>	<u>51</u>	<u>(215)</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 profits of the audio segment over the pre-tax losses of the property segment.

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20. Corporate Proposals

- (a) On 18 May 2016, the Board of Directors announced that wholly owned subsidiary Teras Eco Sdn Bhd (“TESB”) 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.
- (b) 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, Jaya Dormitory Sdn Bhd and Harum Eco Dormitory Sdn Bhd (“HED”), an associate, 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 (“Land”).

On 15 December 2016, wholly owned subsidiary Teras Eco Sdn Bhd had entered into a Sale and Purchase Agreement (“SPA”) with HED for the proposed disposal of the Land for a cash consideration of RM20,000,000.00.

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

21. Group Borrowings and Debt Securities

Group borrowings, which are denominated in Ringgit Malaysia, as at 31 March 2017 are as follows:

(a) Short term borrowings	RM’000
<u>Unsecured</u>	
Hire purchase	80
 <u>Secured</u>	
Term loans & bridging finance	6,156
	<u>6,236</u>
 (b) Long term borrowings	RM’000
<u>Unsecured</u>	
Hire purchase	502
 <u>Secured</u>	
Term loans & bridging finance	21,724
	<u>22,226</u>



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22. Material Litigation

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

23. Dividend Payable

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

24. Earnings Per Share

Basic earnings per share

	Current Quarter 31/03/17	Preceding Year Corresponding Quarter 31/03/16	Cumulative Quarter 31/03/17	Preceding Year Cumulative Quarter 31/03/16
Loss attributable to equity holders of the parent (RM'000)				
from:				
- continuing operations	(1,503)	(1,181)	(1,503)	(1,181)
Weighted average number of shares in issue ('000)	167,138	167,292	167,138	167,292
Basic EPS (sen)				
From:				
- continuing operations	(0.9)	(0.7)	(0.9)	(0.7)

25. Realised and Unrealised Profits

	As At End Of Current Quarter 31/12/16 RM'000	As At End Of Preceding Year 31/12/16 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	38,677	41,260
- Unrealised	209	(881)
	38,886	40,379
Less: Consolidation adjustments	(14,762)	(14,752)
Total Group retained profits	24,124	25,627