

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
9-months ended 30 September 2017				
Revenue				
External revenue	31,380	(1,191)	-	30,189
Results				
Operating loss	(2,793)	(4,885)	(1,896)	(9,574)
Finance costs	(5)	(564)	(8)	(577)
Unrealised gain on forex	62	-	-	62
Interest income	358	76	20	454
Other income	809	-	-	809
Share of results in an associate	-	(123)	-	(123)
Loss before tax	(1,569)	(5,496)	(1,884)	(8,949)
Tax expense				893
Loss for the period				(8,056)
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)

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 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

The Company has an existing corporate guarantee amounting to RM37.5 million issued to a licensed bank for banking facilities granted to a subsidiary company. Consequently, the Company is contingently liable for the amount of banking facilities utilised by the subsidiary company totalling RM13.5 million as at 30 September 2017.

12. Subsequent Events

There were no material events subsequent to 30 September 2017 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 recorded a turnover of RM30 million compared to RM65 million in the preceding year. Turnover generated by the audio division continued to be lower compared to the same period of preceding year. As for the property division, turnover maintained its stagnant position following sale withdrawals arising from purchasers' inability to secure end financing. The profit margin for audio segment remained low during the quarter due to continued high material costs, labour costs and manufacturing overheads. As for the development segment, the unfavourable and competitive market persisted and this had impacted the segment resulting in a net loss of RM4.3 million. For the period under review, the Group posted a RM8.9 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 slight improvement with a pre-tax loss of RM2.7 million for the current quarter as compared to a pre-tax loss of RM4.8 million for the preceding quarter. The audio segment registered a lower pre-tax loss of RM0.5 million for the quarter as compared to a pre-tax loss of RM1.5 million in the preceding quarter mainly due to savings in manufacturing overheads, marketing and administration costs. The development segment posted a pre-tax loss of RM1.7 million for the quarter as compared to a pre-tax loss of RM2.7 million in the preceding quarter. The loss for current quarter is lower compared to preceding quarter due to the more severe effects of sales withdrawals of units previously sold in that quarter.

15. Prospects for the current financial year

Management remains steadfast in sale of the remaining units of the Group's maiden development project, Senibong 88, before end of this year. With financing already been secured for the proposed dormitory project at Jaya 88 land in Permas Jaya, drawdown is expected to materialise in fourth quarter which will pave way for greater progress on site. Earthworks and piling have already been completed and the construction is estimated to be completed within the next twelve months. As for the other landbank in Plentong, Desa 88, pre-development preparations are progressing based on schedule. The Group is aggressively evaluating new property development initiatives and the increase of its land bank. Owing to the delay in the launch of new development projects, the Group has not been able to meet its targets for the current financial year but is quietly optimistic its performance will improve for the next financial year.

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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/(Loss) Before Tax From Continuing Operations

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

	Current Quarter 30/09/17 RM'000	Preceding Year Corresponding Quarter 30/09/16 RM'000	Cumulative Quarter 30/09/17 RM'000	Preceding Year Cumulative Quarter 30/09/16 RM'000
Depreciation and amortisation	167	147	462	433
Foreign exchange (gain)/loss	7	(785)	605	(1)
Derivatives (gain)/loss	-	404	(767)	239
Interest income	(17)	(9)	(107)	(20)
Income from short term funds	(103)	(65)	(347)	(271)
Interest expense	225	8	571	22
(Gain)/Loss on disposal of property, plant and equipment	7	(537)	21	(531)

(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 30/09/17	Preceding year to date RM'000 30/09/16
Continuing operations		
Short term funds	8,517	15,665
Cash, bank balances and deposits	8,518	14,868
	17,035	30,533

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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 30/09/17 RM'000	Preceding Year Corresponding Quarter 30/09/16 RM'000	Cumulative Quarter 30/09/17 RM'000	Preceding Year Cumulative Quarter 30/09/16 RM'000
In respect of current period				
- income tax	(2)	4	-	998
- deferred tax	204	(112)	(822)	(431)
In respect of prior year				
- income tax	(71)	242	(71)	242
	<u>131</u>	<u>134</u>	<u>(893)</u>	<u>809</u>

The effective tax rate for the financial year-to-date is higher than the statutory tax rate mainly due to the effects of deferred tax provision on interest charged to subsidiaries and effects of certain expenses which were not deductible for tax purposes over deferred tax assets recognised on tax losses.

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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.

On 28 August 2017, the Company announced that the completion date of the SPA has been extended due to time taken by HED to secure financing for land acquisition and construction of hostels, which has since been obtained and pending drawdown.

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 30 September 2017 are as follows:

(a) Short term borrowings		RM’000
	<u>Unsecured</u>	
	Hire purchase	114
	<u>Secured</u>	
	Term loans & bridging finance	526
		640
(b) Long term borrowings		RM’000
	<u>Unsecured</u>	
	Hire purchase	743
	<u>Secured</u>	
	Term loans & bridging finance	23,499
		24,242

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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 30/09/17	Preceding Year Corresponding Quarter 30/09/16	Cumulative Quarter 30/09/17	Preceding Year Cumulative Quarter 30/09/16
Profit/(Loss) attributable to equity holders of the parent (RM'000)				
from:				
- continuing operations	(2,844)	(779)	(8,056)	(1,298)
Weighted average number of shares in issue ('000)	167,138	167,189	167,138	167,189
Basic EPS (sen)				
From:				
- continuing operations	(1.7)	(0.5)	(4.8)	(0.8)

25. Realised and Unrealised Profits

	As At End Of Current Quarter 30/09/17 RM'000	As At End Of Preceding Year 31/12/16 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	30,872	41,260
- Unrealised	1,496	(881)
	32,368	40,379
Less: Consolidation adjustments	(14,797)	(14,752)
Total Group retained profits	17,571	25,627