

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 2017.

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 2017.

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 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to <i>References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
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 2017 was not qualified.

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3. Segmental Information

	Property development & construction division RM'000	Investment holding segment RM'000	Audio division (Discontinued operations) RM'000	Total RM'000
12-months ended 31 December 2018				
Revenue				
External revenue	36,389	-	-	36,389
Results				
Operating loss	(1,465)	(5,910)	-	(7,375)
Finance costs	(12)	(31)	-	(43)
Interest income	8	118	-	126
Other income	152	-	-	152
Loss before tax	(1,317)	(5,823)	-	(7,140)
Tax expense				(409)
Loss for the year				(7,549)
12-months ended 31 December 2017				
Revenue				
External revenue	5,048	-	41,641	46,689
Results				
Operating loss	(5,536)	(3,922)	(6,253)	(15,711)
Finance costs	(437)	(16)	(10)	(463)
Unrealised gain on forex	-	-	78	78
Interest income	2	60	428	490
Other income	1,253	-	835	2,088
Share of results in an associate	-	(125)	-	(125)
Loss before tax	(4,718)	(4,003)	(4,922)	(13,643)
Tax expense				(240)
Loss for the year				(13,883)

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 December 2017: 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

The Company transferred a total of 10,571,160 Treasury Shares respectively to Jaya Mapan Sdn Bhd and/or its appointed nominees via Direct Business Transaction to satisfy part of the purchase consideration for the acquisition by wholly owned subsidiary Teras Eco Sdn Bhd of the development rights and interest in a block of 44-storey service apartments.

Save for the above, 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. As at 31 December 2018, the Company is contingently liable for the amount of banking facilities utilised by the subsidiary company totalling RM12.8 million.

In respect of banking facilities granted by a licensed bank to associate company Harum Eco Dormitory Sdn Bhd, the Company is contingently liable up to 30% of the amount of banking facilities utilised by the associate under the proportionate corporate guarantee scheme. As at 31 December 2018, the Company is liable for the amount of RM9.4 million, representing 30% proportion of the RM31.2 million banking facilities utilised.

12. Subsequent Events

There were no material events subsequent to 31 December 2018 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 generated a turnover of RM36.4 million compared to RM46.7 million in the preceding year. Of the total turnover of RM36.4 million for the year, RM11.3 million was generated by property development activities whereas RM25.1 million was attributed to the construction of dormitories in Permas Jaya, Johor. Construction of the dormitories has since been completed with certified of completion and compliance issued by the relevant authorities in December 2018. As at the close of the financial year 2018, the dormitories are operational and almost near full occupation. The sale of the balance completed industrial units at Senibong 88 and the development progress of Phase 1 factories at Desa 88 made up the balance of the Group's turnover. In the previous corresponding year, turnover was derived primarily from the audio segment which was largely discontinued by end of the 2017. In terms of profitability, for the year ended 31 December 2018, the Group narrowed its pre-tax loss from the RM13.6 million from the previous financial year to a loss of RM7.1 million for the current financial year due to costs savings from the disposal of its loss-making audio business and marginal improvements in the Group's property development business.

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

The Group registered a pre-tax loss of RM5.2 million for the quarter mainly due to a write down of goodwill at Group level. The Group also made provisions for impairment in amounts due from associate and in deposits receivables in line with the requirements of MFRS 9. The write down and impairments were in relation to RM2.0 million goodwill arising from acquisition of subsidiaries Teras Eco Sdn Bhd and JM Cemerlang Sdn Bhd in 2015, RM1.2 million in amounts due from associate Harum Eco Dormitory Sdn Bhd and RM1 million in deposits placed with PIJ Property Development Sdn Bhd in connection to a proposed collaboration on development in Tanjung Sepang, Kota Tinggi, Johor, all of which are recognised as a matter of prudence. For the current quarter, the Group continued to experience administrative delays resulting in slower development progress for the Desa 88 Phase 1 development works and lower revenue contribution compounded the Group's inability to absorb overhead costs which resulted in the Group registering a net loss of RM5.5 million compared with a net loss of RM1.1 million in the preceding quarter.

15. Prospects for the current financial year

With the development progress at Desa 88 Phase 1 expected to pick up along with signs of encouraging interest in Desa 88 Phase 2 to be launched in third quarter, the Board is cautiously optimistic that profitability will improve in the current financial year. With positive feedback received on the types of development to be undertaken, management is actively working to develop products that meet the needs of purchasers, particularly, the small to medium industry players. With the proper mix of development units, the Groups expects to achieve faster sales and development turnaround time and therefore quicker revenue and profitability recognition.

Having added the proposed 44-storey Block C service apartments in Kota Laksamana, Melaka into the Group's development portfolio, barring unforeseen circumstances and adverse economic conditions, the Group is hopeful in launch of the project sometime this financial year and generate additional income stream. For the current financial year, the Board continues to actively

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seek new development projects and land bank either via direct acquisition or joint ventures with third parties. In addition, the Group's construction segment is also expected to contribute positively to the performance of the Group. Although the economy is expected to remain challenging, both globally and locally, the Group remains focussed on reviewing and securing new projects with good potential. To mitigate against any adverse impact on the development business, the Group may seek to diversify its business to include other businesses as a strategy to ensure longer term business sustainability.

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 31/12/18 RM'000	Preceding Year Corresponding Quarter 31/12/17 RM'000	Cumulative Quarter 31/12/18 RM'000	Preceding Year Cumulative Quarter 31/12/17 RM'000
Depreciation and amortisation	66	63	264	206
Interest income	(36)	34	(126)	(62)
Interest expense	5	(119)	39	452
(Gain)/Loss on disposal of property, plant and equipment	-	-	-	21

(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 31/12/18	Preceding year to date RM'000 31/12/17
Continuing operations		
Short term funds	-	9
Cash, bank balances and deposits	4,975	12,060
	4,975	12,069

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18. Discontinued Operations Classified As Held For Sale

On 7 December 2017, the Company entered into a Share Sale Agreement (“SSA”) with Formosa Prosonic Industries Berhad in respect of the disposal by the Company of 9,990,000 ordinary shares representing 100% of issued and paid up capital of Formosa Prosonic Technics Sdn. Bhd. (“FPT”). The transaction was completed on 2 January 2018.

- (i) The loss before tax of the discontinued operations for the comparative quarter and year ended 31 December 2017 were arrived at after charging/(crediting):

	Preceding Year Corresponding Quarter 31/12/17 RM'000	Preceding Year Cumulative Quarter 31/12/17 RM'000
Depreciation and amortisation	78	398
Foreign exchange (gain)/loss	(76)	529
Derivatives (gain)/loss	-	(767)
Interest income	(6)	(18)
Income from short term funds	(64)	(411)
Inventories written down	805	805
Impairment of property, plant and equipment	929	929

- (ii) An analysis of the carrying amount of FPT as at 31 December 2017 is as follows:

	As at 31/12/17 RM'000
Assets:	
Property, plant and equipment	580
Inventories	2,477
Trade and other receivables	9,461
Tax recoverable	1,455
Short term funds	1,263
Cash, bank balances and deposits	3,624
Total	18,860
Liabilities:	
Trade and other creditors	8,260
Total	10,600
Net assets of disposal group	38,040

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- (iii) The taxation for discontinued operations for the comparative quarter and year ended 31 December 2017 comprised the following:

	Preceding Year Corresponding Quarter 31/12/17 RM'000	Preceding Year Cumulative Quarter 31/12/17 RM'000
In respect of prior year		
- deferred tax	-	209
	-	209

19. Income Tax Expense

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

	Current Quarter 31/12/18 RM'000	Preceding Year Corresponding Quarter 31/12/17 RM'000	Cumulative Quarter 31/12/18 RM'000	Preceding Year Cumulative Quarter 31/12/17 RM'000
In respect of current period				
- deferred tax	54	1,133	179	101
In respect of prior year				
- income tax	219	-	219	(70)
- deferred tax	11	-	11	-
	284	1,133	409	31

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 liabilities provision on interest charged to subsidiaries.

20. Corporate Proposals

- (a) The Board of Directors of AB announced on 6 December 2017 that, Teras Eco Sdn. Bhd. ("TESB"), a wholly-owned subsidiary had entered into a Joint Development Agreement ("JDA") with YPJ Builders Sdn. Bhd. where TESB has committed to the development of 84 units of two and three storey shop offices on 19.328 acres of land held under Lot H.S.(D) 36608 PTD 2313 and H.S.(D) 36609 PTD 2314 located in Mukim Pantai Timur, District of Kota Tinggi, State of Johor ("Land").

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- (b) On 28 December 2017, the Company announced that its wholly-owned subsidiary, Teras Eco Resources Sdn. Bhd. (“TERSB”) had executed two (2) separate Memorandums of Understanding (“MOUs) as follow:
- (i) MOU between TERSB and Innocashz (M) Sdn. Bhd. for a proposed joint venture where TERSB plans to develop a 5-storey luxury hotel on 1.2 acres of leasehold land held under H.S.(D) 73497 PT 833 located in Kawasan Bandar XLI, District of Melaka Tengah, State of Melaka; and
 - (ii) MOU between TERSB and Goldsand JV Sdn. Bhd. for a proposed joint venture where TERSB plans to develop a block of affordable serviced apartment with approximately 152 units on 3.9 acres of leasehold land held under H.S.(M) 593 PT 11425 located in Mukim Krubong, District of Melaka Tengah, State of Melaka.
- (c) On 12 June 2018, the Company announced its proposed Private Placement of new ordinary shares of not more than 10% of the issued share capital of the Company (excluding Treasury Shares). Shareholders’ mandate has already been obtained at the Annual General Meeting held on 28 May 2018.

Subsequently, on 19 September 2018, the Company allotted new 4,285,000 shares under the Private Placement exercise. The new Placement Shares rank pari passu with the existing shares of the Company prior to the placement. Status of utilisation of proceeds raised from the placement is as follows:

	Purpose	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation	Explanations (where deviation is 5% or more)
		(RM’000)	(RM’000)		(RM’000)	
(i)	Acquisition and/or investment in similar or other complementary businesses	1,500*	-	Within 24 months	Not applicable	Not applicable
(ii)	Estimated expenses for the Private Placement Exercise	120	80	Immediate	40	Savings of 33% of estimated expenses mainly due to single placement which represented only 24% of the approved maximum shares that could be issued.

* Of the 17,782,140 maximum number of placement shares approved under the Private Placement exercise (on assumption all of the 10,683,000 Treasury Shares held are resold in the open market), only 4,285,000 new shares were issued and allotted.

- (d) On 17 October 2018, the Board of Directors announced that a wholly-owned subsidiary company T Three Builder Sdn Bhd has been incorporated with an issued and paid up capital of RM2.00.

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- (e) On 5 November 2018, the Company announced its wholly owned subsidiary TESB entered into a Development Rights Agreement (“DRA”) with Jaya Mapan Sdn Bhd (“JMSB”) for the acquisition of the development rights and interest in a block of 44-storey serviced apartments (Block C) within the mixed development project known as The Green on a piece of leasehold land held under title number HSD 70516 PT 1816, Kawasan Bandar IV, District of Melaka Tengah, in the state of Melaka. The acquisition was completed on 13 December 2018.

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 December 2018 are as follows:

(a) Short term borrowings	RM’000
<u>Unsecured</u>	
Hire purchase	106
<u>Secured</u>	
Term loans & bridging finance	6,825
	<u>6,931</u>
(b) Long term borrowings	RM’000
<u>Unsecured</u>	
Hire purchase	599
<u>Secured</u>	
Term loans & bridging finance	5,983
	<u>6,582</u>

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.

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24. Earnings Per Share
Basic earnings per share

	Current Quarter 31/12/18	Preceding Year Corresponding Quarter 31/12/17	Cumulative Quarter 31/12/18	Preceding Year Cumulative Quarter 31/12/17
Profit/(Loss) attributable to equity holders of the parent (RM'000)				
from:				
- continuing operations	(5,514)	(2,475)	(7,549)	(8,753)
- discontinued operations	-	(3,352)	-	(5,130)
Weighted average number of shares in issue ('000)	179,146	167,138	170,306	167,138
Basic EPS (sen)				
From:				
- continuing operations	(3.1)	(1.5)	(4.4)	(5.2)
- discontinued operation	-	(2.0)	-	(3.1)