## 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 2019.

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 2019, except for the following Standards, Amendments and IC interpretation which are effective from the annual period beginning on or after 1 January 2020 which are applicable to the Group:

| **MFRSs/ Amendments/Interpretations** | **Effective date** |
|---|---|
| Amendments to *References to the Conceptual Framework in MFRS Standards* | 1 January 2020 |
| Amendments to MFRS 3 *Definition of a Business* | 1 January 2020 |
| Amendments to MFRS 101 and MFRS 108 *Definition of Material* | 1 January 2020 |
| Amendments to MFRS 9, MFRS 139 and MFRS 7, *Interest Rate Benchmark Reform* | 1 January 2020 |
| Amendments to MFRS 4, *Extension of the Temporary Exemption from Applying MFRS 9* | 17 August 2020 |
| Amendments to MFRS 16 Covid-19-Related Rent Concessions | 1 June 2020 |

The adoption of these Standards, Amendments and IC interpretation have no material impact on the Interim Financial Report.

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** |
|---|---|
| MFRS123: IFRS Interpretations Committee ("IFRIC") Agenda Decision on Borrowing Costs | 1 July 2020 |
| Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16, *Interest Rate Benchmark Reform – Phase 2* | 1 January 2021 |
| Amendments to MFRS 1 Annual Improvements to MFRS Standards 2018–2020 Cycle | 1 January 2022 |
| Amendments to MFRS 3 Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to MFRS 9 Annual Improvements to MFRS Standards 2018–2020 Cycle | 1 January 2022 |
| Amendments to MFRS 16 Annual Improvements to MFRS Standards 2018-2020 Cycle | 1 January 2022 |
| Amendments to MFRS 116 Property, Plant and Equipment-Proceeds before Intended Use | 1 January 2022 |

| **MFRSs/ Amendments/Interpretations** | **Effective date** |
|---|---|
| Amendments to MFRS 137 Onerous Contracts-Cost of Fulfilling a Contract | 1 January 2022 |
| Amendments to MFRS 141 Annual Improvements to MFRS Standards 2018-2020 Cycle | 1 January 2022 |
| MFRS 17 *Insurance Contracts* | 1 January 2023 |
| Amendments to MFRS 17 *Insurance Contracts* | 1 January 2023 |
| Amendments to MFRS 101 Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* | 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 subsequent periods and 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 2019 was not qualified.

## 3. Segmental Information

| | **Property development & construction RM'000** | **Investment holding RM'000** | **Total RM'000** |
|---|---|---|---|
| **12-months ended 31 December 2020** | | | |
| **Revenue** | | | |
| External revenue | **5,681** | **-** | **5,681** |
| **Results** | | | |
| Operating profit/(loss) | **(17,993)** | **(8,635)** | **(26,628)** |
| Finance costs | **(165)** | **(19)** | **(184)** |
| Interest income | **50** | **-** | **50** |
| Other income | **242** | **2** | **244** |
| Profit/(Loss) before tax | **(17,866)** | **(8,652)** | **(26,518)** |
| Tax expense | | | **330** |
| Profit/(Loss) for the year | | | **(26,188)** |

| | Property development & construction RM'000 | Investment holding RM'000 | Total RM'000 |
|---|---|---|---|
| **12-months ended 31 December 2019** | | | |
| **Revenue** | | | |
| External revenue | **15,017** | **-** | **15,017** |
| **Results** | | | |
| Operating profit/(loss) | **1,172** | **(3,140)** | **(1,968)** |
| Finance costs | **(113)** | **(33)** | **(146)** |
| Interest income | **-** | **172** | **172** |
| Other income | **1,219** | **-** | **1,219** |
| Share of results in an associate | **-** | **48** | **48** |
| Profit/(Loss) before tax | **2,278** | **(2,953)** | **(675)** |
| Tax expense | | | **(911)** |
| Profit/(Loss) for the year | | | **(1,586)** |

## 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.

## 6. Comments about Seasonal or Cyclical Factors

The Group's operations are not subject to seasonal or cyclical factors.

## 7. Dividends Paid

The Board of Directors has not paid any dividend for the current quarter (31 December 2019: 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

During the year, the Company issued 60,000,000 Redeemable Convertible Preference Shares ("RCPS") at RM0.10 per RCPS for a total of RM6,000,000.

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.

On 17 August 2020, 97,211,694 Warrants were listed and quoted on the Main Market of Bursa Securities with effect from 9.00 a.m., marking the completion of the Bonus Issue of Warrants. As at 31 December 2020, none of the Warrants have been exercised.

## 10. Changes in Composition of the Group

There was no change in the composition of the Group for the current financial year under review except for as disclosed in Note 19.

## 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 2020, the Company is contingently liable for the amount of banking facilities utilised by the subsidiary company totalling RM15.2 million.

The Company had also issued another corporate guarantee amounting to RM2.2 million to a licensed bank for banking facilities granted to a subsidiary company. As at 31 December 2020, the Company is contingently liable for the amount of banking facilities utilised by the subsidiary company totalling RM2.2 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 2020, the Company is liable for the amount of RM9.2 million, representing 30% proportion of the RM30.8 million banking facilities utilised and remain outstanding.

## 12. Subsequent Events

Other than as disclosed in Note 15, there were no material events subsequent to 31 December 2020 that have not been reflected in the interim report.

## 13. Review of Performance

For the year under review, the Group posted a turnover of RM5.7 million compared to RM15 million for the preceding year. Turnover for the year was primarily attributed to the development progress of Phase 1 terrace factories as well as Phase 2 factories at Desa 88, Plentong, Johor. Compared to the preceding year, revenue was lower due to the COVID-19 pandemic which resulted in delayed and/or cancelled sales. With the emergence of the COVID-19 pandemic and resultant movement controls and drastic business activity restrictions imposed by the government to curb the spread of COVID-19 pandemic, the Group's scheduled launches also had to be deferred indefinitely with construction works for Phase 2, a development which comprise 36 units of factories similarly delayed. The commencement of construction works for Project Sentrio in Pasir Gudang, which comprise 66 units of shop offices was also similarly hampered by government movement control restrictions and strict operating procedures with earthworks only able to commence towards the end of the year. As a consequence of myriad business activity, movement control restrictions, depressed economic and business sentiments, the Group posted a pre-tax loss of RM26.5 million for the current year as compared to a pre-tax loss of RM0.7 million in the corresponding year. The significantly higher loss registered for the current year is mainly due to multiple impairments made as a consequence of economic and valuation losses recognised during the year due to deep and prolonged business inactivity resulting from the COVID-19 pandemic. The impairments were made in compliance to applicable accounting standards and further explained in Note 17. Without the impairments, the Group would have reported a loss before tax of RM5.6 million. The lower turnover was insufficient to shoulder operating expenses for the year.

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

For the quarter under review, the Group posted a pre-tax loss of RM17.9 million compared to the RM5.9 million pre-tax loss reported for the immediate preceding quarter. The sharp rise in loss is mainly due to the effects of multiple impairments made during the quarter. Had the provisions for impairment not been effected, the Group would have reported a profit before tax of RM3 million for the quarter. The delay in launch of Desa 88 Phase 2 and Project Sentrio was directly a consequence of business and COVID-19 movement control restrictions which spanned over most parts of the year. The restrictions and adverse conditions have directly and indirectly impacted the result of both the current and the immediate preceding quarter.

**15. Prospects for the current financial year**

The Group endured the damaging business, financial and sales impacts of COVID-19 pandemic for most parts of the year particularly subsequent to the imposition of the movement controls by the Government. Sales, development progress and launch of new developments such as Desa 88 Phase 2 factories and Sentrio shop offices in Pasir Gudang had to be deferred indefinitely due to the depressed overall demand for properties. Whilst Desa 88 Phase 2 and Sentrio were subsequently launched, the weak property market continues to linger and prompts the Group to remain cautious. As a matter of prudence, the Group is closely evaluating the business and property market sentiment for upticks and for now have decided to defer the launch of its first high rise residential tower in Melaka.

Results for the year was upset by multiple provisions for impairment, mainly due to the deteriorating and non-conducive industry sentiments and complications of authorities' approval processes. The Group suffered unprecedented loss as a result of the simultaneous provisions for impairment at a time when its operations are already facing challenges. In any event, the Group's borrowings remain low with minimal risks of default in servicing repayments. During the year, the Group was also able to embark on an equity-based fundraising which provided additional cash resources to finance its current and earmarked property development activities.

Amidst the challenging and uncertain economic and political climate along with the lingering impact of COVID-19, the Board remains cautions and will continue to monitor the volatile business environment and evaluate Group strategy as necessary in order to minimize business and financial risks with a view to maximise its resources.

With Desa 88 Phase 2 terrace factories in Plentong and Sentrio shop offices in Pasir Gudang already launched and construction commenced and progressing well, barring any further prolonged movement controls, interstate and cross-border travels, conflicting government policies or directives, the Board is hopeful the Government's various economic stimulus packages and incentives for property buyers will revitalise the market and enable Group sales and profit targets to be met in 2021.

**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. (a) Loss Before Tax**

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

| | Current Quarter 31/12/2020 RM'000 | Preceding Year Corresponding Quarter 31/12/2019 RM'000 | Cumulative Quarter 31/12/2020 RM'000 | Preceding Year Cumulative Quarter 31/12/2019 RM'000 |
|---|---|---|---|---|
| Depreciation of property, plant and equipment | **25** | (95) | **126** | 154 |
| Depreciation of right-of-use assets | **74** | 295 | **391** | 395 |
| Interest expense on borrowings | **(14)** | (1) | **56** | 82 |
| Property, plant and equipment written off | **3** | 67 | **148** | 67 |
| Provision for impairment of property development cost | **14,428** | - | **14,428** | - |
| Impairment of goodwill | **2,000** | - | **2,000** | - |
| Impairment loss on amounts due from associate | **2,606** | - | **2,606** | - |
| Impairment of investment property | **1,309** | - | **1,309** | - |
| Provision for doubtful debts | **493** | 111 | **493** | 111 |
| Provision for impairment of other receivables | **36** | 600 | **36** | 600 |
| Interest income | **88** | (39) | **(50)** | (172) |
| Reversal of impairment loss on other receivables | **-** | (1,002) | **-** | (1,002) |

<u>Nature of impairments:</u>

(i) <u>Impairment of property development cost</u>

1) During the year, subsidiary TE Hotel Sdn Bhd had commenced the development of the 16-storey 245 rooms hotel in Kota Syahbandar, Melaka. Due to the depressed outlook for the hospitality sector resulting from the COVID-19 pandemic, tourism assets such as hotels had been adversely affected by general write downs in property valuations. As at 31 December 2020, unfortunately but not unexpectantly, the expected market value of our Melaka hotel on completed basis was adjudged to be lower than the estimated total cost to complete the hotel, giving rise to a foreseeable loss of approximately RM12.3 million. In compliance with the applicable accounting standards, an impairment amounting to RM12.3 million was made. The Group is however hopeful that upon recovery of the hospitality sector, valuation for the hotel will improve from its current valuation.

2) Subsidiary Teras Eco Sdn Bhd ("TESB") made a full impairment on property development cost incurred for a proposed project in Kota Tinggi, Johor, as the project has not taken off within the targeted time frame due to regulatory circumstances which was dampened by the COVID-19 pandemic in the current year. Although the Group will continue its efforts in the recovery process of the cost incurred, it foresees likelihood of difficulties and as such made an impairment amounting to RM1.1 million.

3) Subsidiary Teras Eco Resources Sdn Bhd ("TERSB") made full impairment on property development costs incurred for two (2) proposed projects, namely the 110 rooms hotel and 32 units of service apartments in Melaka as a matter of prudence, as both projects have yet to commence as at 31 December 2020 due to the prolonged delay in obtain in authority approvals. Notwithstanding the impairments, plans remain afoot to launch the project in the near future. The challenges brought about by the COVID-19 pandemic in the current year has also resulted in the Group taking a cautious stance in its decision on timing of kicking off the projects in Melaka. As TERSB foresees a delay in realising the intended profits from the projects, a provision for impairment amounting to RM1 million was made on the cost incurred for the said projects.

(ii) Impairment of goodwill

1) An impairment of RM0.7 million of goodwill in subsidiary TESB was made against the current goodwill of RM10.5m on the basis of the challenging economic environment due to the pandemic the project cashflows, sensitivity analysis of the current gross development values against future development cost of TESB. The impairment took into account the use of market reference interest rate for discounting of the future cashflows, current and future business and economic sentiments and factors relevant to justify the goodwill of the subsidiary. Taking into consideration these factors, the Group impaired RM0.7 million on the goodwill in connection with investment in TESB.

2) An impairment of RM1.3 million of goodwill in subsidiary JMC was made against the current goodwill of RM10.9m on the basis of the challenging economic environment due to the pandemic the project cashflows, sensitivity analysis of the current gross development values against future development cost of JMC. The impairment took into account the use of market reference interest rate for discounting of the future cashflows, current and future business and economic sentiments and factors relevant to justify the goodwill of the subsidiary. Taking into consideration these factors, the Group impaired RM1.3 million on the goodwill in connection with investment in JMC.

(iii) Impairment loss on amounts due from associate

The nature of business of the associate is that of investment property which generates rental income from the rental of the completed workers' hostel. The Group does not expect the associate to be able to generate significant profits and excess cashflow in the near term due to the challenging operating condition arising from COVID-19 pandemic which has also affected the foreign workers business, where the associate company is indirectly exposed to. In view that associate company HED also has greater cashflow priority in meeting its loan repayment obligations, the Group anticipates possibility of delay in recovery of advances made to HED. As such, provision for impairment amounting to RM2.6 million was made during the year.

(iv) Impairment of investment property

The provision for impairment made by subsidiary TERSB was in respect of a corner shop office located at Asteria Melaka which has been earmarked for rental upon completion. In assessing for indication of impairment, the Group made comparison between TERSB's cost of acquisition in the shop office against the reference market values of nearby and closely similar commercial properties in the vicinity. The comparison showed indications of impairment in the carrying value of the investment property amounting to RM1.3 million. The shop office is currently in its tail end stage of completion. Upon completion, the Group will undertake another assessment to determine its market value. A reputable tenant is in being secured for this shop office and the Group is hopeful for the valuation of the property to improve in the near future.

(v) Provision for doubtful debts

During the year, subsidiary JMC made a RM0.5 million provision for impairment on the prepayments made to a trade creditor as the amount has remained standing credit. The creditor is a sub-contractor undertaking electrical works for Desa88 project in Permas Jaya, Johor. JMC intends to contra against claims to be issued by the creditor in the future.

**(b) 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 31/12/2020** | **Preceding year to date RM'000 31/12/2019** |
|---|---|---|
| Cash and bank balances | **1,150** | 2,269 |

## 18. Income Tax Expense

The taxation of the Group comprises the following:

| | **Current Quarter 31/12/2020 RM'000** | **Preceding Year Corresponding Quarter 31/12/2019 RM'000** | **Cumulative Quarter 31/12/2020 RM'000** | **Preceding Year Cumulative Quarter 31/12/2019 RM'000** |
|---|---|---|---|---|
| **In respect of current year:** | | | | |
| - income tax | **168** | 785 | **168** | 786 |
| - deferred tax | **(71)** | 27 | **4** | 113 |
| **In respect of prior year:** | | | | |
| - income tax | **(74)** | 12 | **(74)** | 12 |
| - deferred tax | **(428)** | - | **(428)** | - |
| | **(405)** | 824 | **(330)** | 911 |

The tax credit for the year is primarily a result of deferred tax liabilities adjustments in relation to interest charged to subsidiaries being in excess over tax expenses for current year.

**19. Corporate Proposals**

(a) On 11 February 2020, the Company announced that subsidiary JM Cemerlang Sdn Bhd had entered into a Sale and Purchase Agreement with Melatone Coating Sdn Bhd for the disposal of 2 contiguous parcels of land, identified as Plot 4 and Plot 5 each measuring approximately 1.014 acres, held under part of the Master titles with particulars HS(D) 592292 PTD 236096; HS(D) 592293 PTD 236097; HS(D) 592294 PTD 236098; HS(D) 592295 PTD 236099; and HS(D) 592296 PTD 236100, all in the Mukim of Plentong, District of Johor Bahru, State of Johor for a cash consideration of RM6,625,476.00.

(b) On 6 March 2020, the Company announced its proposal to undertake the following:

(i) proposed issuance of up to 800,000,000 new 2% cumulative redeemable convertible preference shares in Acoustech ("RCPS") at an issue price of RM0.10 each ("RCPS Issue Price") ("Proposed Issuance of RCPS");

(ii) proposed amendments to the Constitution of the Company to facilitate the Proposed Issuance of RCPS ("Proposed Amendments of Constitution"); and

(iii) proposed bonus issue of up to 97,211,700 free warrants in Acoustech ("Warrants") on the basis of 1 Warrant for every 2 existing ordinary shares in Acoustech ("Acoustech Shares" or "Shares") held by the shareholders of Acoustech whose name appear in the record of securities holders established by Bursa Malaysia Depository Sdn Bhd ("Bursa Depository") under the rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act 1991 ("SI(CD)/A") ("Record of Depositors") of the Company on a date to be determined and announced later by the Board ("Entitlement Date") ("Entitlement Shareholders") ("Proposed Bonus Issue of Warrants").

At the Extraordinary General Meeting held on 10 July 2020, all of the resolutions in respect of the said proposals were tabled and duly passed.

Subsequently, on 23 July 2020, the Company announced that the exercise price for the Warrants to be issued pursuant to the Bonus Issue of Warrants be fixed at RM0.29 per Warrant ("Exercise Price"). Further, on 24 July 2020, the Company announced that the Entitlement Date for the Warrants has been fixed at 5.00 p.m. on 7 August 2020.

Following the announced Entitlement Date, 97,211,694 Warrants have been listed and quoted on the Main Market of Bursa Securities with effect from 9.00 a.m. on 17 August 2020, marking the completion of the Bonus Issue of Warrants.

During the year, the Company issued 60,000,000 RCPS at RM0.10 per RCPS for a total of RM6,000,000. The status of utilisation of proceeds raised from RCPS as at 31 December 2020 is as follows:

| Purpose | Proposed utilisation RM'000 | Intended timeframe for utilisation | Amount raised RM'000 | Actual utilisation RM'000 | Balance to be raised RM'000 |
|---|---|---|---|---|---|
| Financing for existing property development projects | 48,000 | Within 3 years | 4,740 | 4,740 | 43,260 |
| Financing for future property development projects | 24,000 | Within 3 years | - | - | 24,000 |
| Working capital | 3,000 | Within 3 years | - | - | 3,000 |
| Expenses relating to RCPS | 5,000 | Within 5 years | 1,260 | 1,260 | 3,740 |
| **Total** | **80,000** | | **6,000** | **4,000** | **74,000** |

(c) On 5 March 2021, the Company announced that subsidiary Teras Eco Sdn Bhd had entered into a Sale and Purchase Agreement with Pegasus Advance Engineering Sdn Bhd for the disposal of a parcel of land, known as HS(D) 52526 PTB 18056 measuring approximately 3.239 acres, in the Mukim of Tanjung Surat, District of Kota Tinggi, State of Johor for a cash consideration of RM6,400,000.00.

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

## 20. Group Borrowings and Debt Securities

Group borrowings, which are denominated in Ringgit Malaysia, as at 31 December 2020 are as follows:

(a) **Short term borrowings**

| Secured | **RM'000** |
|---|---|
| Term loans & bridging finance | 9,077 |

(b) **Long term borrowings**

| Secured | **RM'000** |
|---|---|
| Term loans & bridging finance | 8,298 |

## 21. Material Litigation

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

## 22. Dividend Payable

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

## 23. Earnings/(Loss) Per Share

| **Basic loss per share** | **Current Quarter 31/12/2020** | **Preceding Year Corresponding Quarter 31/12/2019** | **Cumulative Quarter 31/12/2020** | **Preceding Year Cumulative Quarter 31/12/2019** |
|---|---|---|---|---|
| Profit/(Loss) attributable to equity holders of the parent (RM'000) | **(17,468)** | (1,853) | **(26,188)** | (1,586) |
| Weighted average number of shares in issue ('000) | **200,520** | 194,535 | **200,520** | 194,535 |
| Basic EPS (sen) | **(8.58)** | (0.96) | **(13.06)** | (0.82) |

| **Diluted loss per share** | **Current Quarter 31/12/2020** | **Preceding Year Corresponding Quarter 31/12/2019** | **Cumulative Quarter 31/12/2020** | **Preceding Year Cumulative Quarter 31/12/2019** |
|---|---|---|---|---|
| Profit/(Loss) attributable to equity holders of the parent (RM'000) | **(17,468)** | (1,853) | **(26,188)** | (1,586) |
| Weighted average number of shares in issue ('000) | **200,520** | 194,535 | **200,520** | 194,535 |
| Shares deemed issued for no consideration ('000) - Warrants | **97,212** | - | **97,212** | - |
| Weighted average number of shares for diluted EPS ('000) | **297,732** | 194,535 | **297,732** | 194,535 |
| Diluted EPS (sen) | **(5.81)** | (0.96) | **(8.80)** | (0.82) |