

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 2014.

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 2014, except for the adoption of the following:

MFRSs/ Amendments/Interpretations	Effective date
Amendments to MFRS 1, <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)</i>	1 July 2014
Amendments to MFRS 3, <i>Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>	1 July 2014
Amendments to MFRS 8, <i>Operating Segments (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 13, <i>Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>	1 July 2014
Amendments to MFRS 116, <i>Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 124, <i>Related Party Disclosures (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014

The initial application of the aforesaid applicable standards, amendments or interpretations are not expected to have any material financial impacts to the current and prior periods financial statements upon their first adoption.

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2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2014 was not qualified.

3. Segmental Information

	Audio RM'000	(Discontinued Operations) Chemical paints RM'000	(Discontinued Operations) Electrical equipment RM'000	Total RM'000
6-month ended 30 June 2015				
Revenue				
External revenue	45,951	-	-	45,951
Results				
Segment results	1,198	-	362	1,560
Unallocated corporate expenses				(27)
Operating profit				1,533
Finance costs				(11)
(Loss) / Gain on disposal of PPE	(562)	-	2,335	1,773
Share of results of a joint venture	-	-	(3)	(3)
Profit before tax				3,292
Tax expense				(271)
Profit for the period				3,021
6-month ended 30 June 2014				
Revenue				
External revenue	74,068	7,894	4,112	86,074
Results				
Segment results	(18)	500	(1,725)	(1,243)
Unallocated corporate expenses				58
Operating loss				(1,185)
Finance costs				(28)
Gain on disposal of investment	-	1,835	-	1,835
Share of results of a joint venture	-	-	153	153
Profit before tax				775
Tax expense				(47)
Profit for the period				728



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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

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 has not paid any dividend for the current quarter (30 June 2014: 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 12.

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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

12.1 On 18 June 2014, the Board of Director announced that its subsidiary, Formosa Prosonic Equipment Sdn Bhd ("FPEQ"), had on 17 June 2014 entered into Sale and Purchase Agreement ("SPA") with Angel Water System Technology Sdn Bhd ("the Purchaser") (formerly known as Grand Offshore Sdn Bhd) to dispose of the Land situated at Lot 11, Jalan Sultan Mohamed 5, Bandar Sultan Sulaiman, 42000 Port Klang, Selangor Darul Ehsan and the factory building constructed thereon (which aforesaid land and building are hereinafter collectively referred to as "the Said Property") to the Purchaser on an "as-is-where-is" basis free from all encumbrances and with vacant/legal possession for RM8,000,000.00 subject to the conditions of title and restrictions-in-interest endorsed on the document of title to the Said Property or otherwise affecting the Said Property and the existing category of land use and upon the terms as stipulated in SPA. This transaction was completed during the current quarter.

12.2 The Board of Directors announced that on 09 February 2015 its subsidiary, Formosa Prosonic Technics Sdn Bhd ("FPT") entered into a Sale and Purchase Agreement ("SPA") to dispose of its manufacturing asset and equipment located at address plot 236, 238 & 240 Kawasan Perusahaan LPK, Taman Ria Jaya, 08000 Sungai Petani, Kedah ("SP Factory") to Formosa Prosonic Industries Berhad ("FPI") ("Proposed Disposal") for a cash consideration of RM4,500,000. Simultaneous with the SPA, FPT also entered into a tenancy agreement whereby FPI will rent the factory land and building located at the SP Factory. Upon completion of the Proposed Disposal, FPT shall cease its manufacturing business in the manufacturing location at the SP Factory.

The terms of the Sale and Purchase Agreement have been fully satisfied and the Proposed Disposal had been completed on 25 March 2015.

12.3 The Board of Directors announced that on 27 March 2015, its wholly-owned subsidiary, Formosa Prosonic Technics Sdn Bhd ("FPT"), had entered into:

- (a) A Sale and Purchase Agreement with Formosa Prosonic Industries Berhad ("FPI") for the proposed disposal a registered lease interest in the land under Geran 49384, Lot 184 Seksyen 65, Bandar Sungai Petani, Daerah Kuala Muda, Negeri Kedah together with buildings erected thereon for a cash consideration of RM15,000,000.00 ("Proposed Disposal I"); and



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12. Subsequent Events (cont'd)

- (b) A Sale and Purchase Agreement with FPI for the proposed disposal of a double storey link semi-detached house bearing postal address B278, Jalan 12, Cinta Sayang Resort Homes, 08000 Sungai Petani, Kedah Held Under Individual Title No. Geran 187490, Lot 2430, Seksyen 65, Bandar Sungai Petani, Daerah Kuala Muda, Negeri Kedah for a cash consideration of RM550,000.00 ("Proposed Disposal II").

Proposal I and II had been completed on 12 August 2015.

- 12.4 On 29 May 2015, the Board of Directors announced that on the Company has entered into a conditional Share Sale Agreement with Ong Li Tak, Teo Chai Hock, Lee Kwan Fat, Lee Boon Fie, Ng Kang Wee, Ho Koon Loong and Toh Kie Ho for the acquisition of 2,000,000 ordinary shares of RM1.00 each representing 100% equity interest in the issued and paid-up share capital of Teras Eco Sdn Bhd for a cash consideration of RM13,500,000.00. The acquisition has been completed on 16 July 2015.

13. Review of Performance

During the financial period under review, the Group's continuing operations registered profit before tax of RM0.6 million compared to RM2.4 million in the previous corresponding quarter. The drop was mainly due to the inclusion of one-off gain on disposal of investment of RM1.8 million in the previous corresponding quarter. Sales were significantly lower at RM46.0 million (comprising audio business only) as compared to RM82.0 million (comprising audio business of RM41.8 million and chemical paints businesses of RM7.9 million).

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

In respect of continuing operations, the Group registered profit before tax of RM1.7 million for the current quarter 2015 compared to a loss before tax of RM0.5 million (excluding one-off loss on disposal of manufacturing assets of RM0.6 million) in the immediate preceding quarter mainly due to higher sales.

15. Prospects for the current financial year

Barring unforeseen circumstances, the Director deems the business environment for the current year to be highly challenging due to various macro-economic factors such as uncertain long term demand and fluctuating currency. The Board will be undertaking various measures to streamline operations with a view to reducing excess production capacity and reducing operational costs. The Board will be actively sourcing for new avenues of business to diversify the earning stream of the Group.

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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 30/06/15 RM'000	Current Quarter 30/06/14 RM'000	Cumulative Quarter 30/06/15 RM'000	Cumulative Quarter 30/06/14 RM'000
Depreciation and amortisation	363	873	913	1,755
Foreign exchange (gain) / loss	(436)	(80)	(707)	(93)
Derivatives (gain) / loss	(182)	-	27	-
Interest income	(14)	(77)	(27)	(91)
Income from short term funds	(425)	(246)	(784)	(598)
Interest expense	2	2	6	8
Loss on disposal of property, plant and equipment	-	-	562	-
Property, plant and equipment written off	-	-	-	1

(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 30/06/15	Preceding year to date RM'000 30/06/14
Continuing operations		
Short term funds	38,343	20,526
Cash, bank balances and deposits	22,535	17,914
Discontinued operations		
Cash, bank balances and deposits	-	7,969
	60,878	46,409

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18. Discontinued Operations Classified As Held For Sale

An analysis of the results of the discontinued operations is as follows:

	Current Quarter 30/06/15 RM'000	Current Quarter 30/06/14 RM'000	Cumulative Quarter 30/06/15 RM'000	Cumulative Quarter 30/06/14 RM'000
Revenue	-	994	-	4,112
Operating expenses	(7)	(1,740)	(11)	(6,254)
Other operating income	2,574	(321)	2,708	356
Profit / (Loss) from operations	2,567	(1,067)	2,697	(1,786)
Finance costs	-	(4)	(1)	(9)
Share of loss of a joint venture	-	(87)	(3)	153
Profit / (Loss) before tax	2,567	(1,158)	2,693	(1,642)
Tax expense	(37)	84	(67)	177
Profit for the period	2,530	(1,074)	2,626	(1,465)

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

	Current Quarter 30/06/15 RM'000	Current Quarter 30/06/14 RM'000	Cumulative Quarter 30/06/15 RM'000	Cumulative Quarter 30/06/14 RM'000
Charging / (Crediting):-				
Depreciation and amortisation	-	222	-	446
Foreign exchange (gain) / (loss)	(19)	200	(95)	195
Derivatives loss	-	-	-	44
Interest income	(170)	(5)	(178)	(15)
Income from short term funds	(50)	(9)	(95)	(32)
Interest expense	-	4	-	7
Property, plant and equipment written off	-	-	-	-



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18. Discontinued Operations Classified As Held For Sale (continued)

An analysis of the carrying amount of the non-current assets held for sale is as follows:-

	As at 31/12/14 RM'000
Land and Building classified as held for sale:	<u>5,665</u>

The cash flow attributable to the discontinued operations is as follows:

	As at 31/12/14 RM'000
Operating activities	23
Investing activities	47
Financing activities	<u>(6,000)</u>
Net cash inflow	<u>5,930</u>

19. Income Tax Expense

The taxation of the Group comprises the following:

	Current Quarter 30/06/15 RM'000	Current Quarter 30/06/14 RM'000	Cumulative Quarter 30/06/15 RM'000	Cumulative Quarter 30/06/14 RM'000
In respect of current period				
- income tax	52	73	82	118
- deferred tax	299	(9)	189	(71)
	<u>351</u>	<u>64</u>	<u>271</u>	<u>47</u>

The effective tax rate for the financial year-to-date is higher than the statutory tax rate mainly due to certain expenses not allowable for deduction.



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20. Corporate Proposals

There was no corporate proposal announced which remained incomplete as at the date of issue of the interim report.

21. Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 30 June 2015.

22. Material Litigation

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

23. Dividend Payable

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

24. Earnings Per Share

Basic earnings per share

	Current Quarter 30/06/15	Current Quarter 30/06/14	Cumulative Quarter 30/06/15	Cumulative Quarter 30/06/14
Profit / (Loss) attributable to equity holders of the parent (RM'000)				
from:				
- continuing operations	1,803	776	395	2,227
- discontinued operations	1,474	(583)	1,571	(884)
	<u>3,277</u>	<u>193</u>	<u>1,966</u>	<u>1,343</u>
Weighted average no. of shares in issue ('000)	168,517	169,644	168,517	169,644
Basic EPS (sen)				
From:				
- continuing operations	1.1	0.4	0.2	1.3
- discontinued operations	0.8	(0.3)	1.0	(0.5)
	<u>1.9</u>	<u>0.1</u>	<u>1.2</u>	<u>0.8</u>



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25. Realised and Unrealised Profits

	As At End Of Current Quarter 30/06/15 RM'000	As At End Of Preceding Quarter 31/12/14 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	42,482	39,071
- Unrealised	(1,763)	(1,329)
	40,719	37,742
Total share of retained profits from a joint venture:		
- Realised	(1,816)	(1,593)
- Unrealised	-	4
	(1,816)	(1,589)
	38,903	36,153
Less: Consolidation adjustments	(18,696)	(17,912)
Total Group retained profits	20,207	18,241