

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)

EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2008

The figures have not been audited

1. Accounting policies

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard ("FRS") 134 "Interim Financial Reporting" and paragraph 9.22 of the 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 March 2008.

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 March 2008 except for the adoption of the following revised Financial Reporting Standards ("FRS") and Issues Committee Interpretations ("IC Interpretation") that are effective for the Group's financial statements commencing 1 April 2008:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
IC Interpretation 8	Scope of FRS 2

The adoption of the above FRSs and IC Interpretation does not have any significant financial impact to the Group.

2. Audit qualification

The audit report of the Group's preceding year was not qualified.

3. Seasonal or cyclical factors

Demands for speaker systems and its related products are generally seasonal and are affected by economic conditions in countries in which the products are sold.

4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income and cash flow for the current financial period.

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)

5. Changes in estimates of amount reported

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 financial period.

6. Issuance and repayment of debt and equity securities

There were no issuance and repayment of debt and equity securities, share buy-back, share cancellation, shares held as treasury shares and resale of treasury shares for the financial period ended 30 September 2008.

7. Dividend paid

	Current year to-date RM'000	Preceding year corresponding quarter RM'000
Interim dividend in respect of FY2008 – 3.0 sen per ordinary share tax exempt	<u>2,463</u>	<u>-</u>

8. Segmental reporting

6-month period	Revenue by location of customers		Segment assets by location of assets		Capital expenditure By location of assets	
	2009	2008	30/09/2008	31/03/2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	154,629	169,942	209,422	182,377	3,531	2,904
Asia	177,680	101,149	85,479	59,949	817	1,017
Europe	4,446	6,164	8,909	11,828	92	35
America	11,519	14,971	-	-	-	-
Others	203	126	-	-	-	-
	<u>348,477</u>	<u>292,352</u>	<u>303,810</u>	<u>254,154</u>	<u>4,440</u>	<u>3,956</u>

9. Valuation of property, plant and equipment

The valuations of property, plant and equipment have been brought forward without any amendments from the previous annual financial statements.

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)

10. Subsequent events

Other than as disclosed in Note 20, there were no material events subsequent to the end of the current financial period that have not been reflected in the interim financial report.

11. Changes in composition of the Group

There was no change in the composition of the Group for the current financial period under review.

12. Contingent liabilities or contingent assets

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet date.

13. Review of performance

For the current quarter under review, the Group's profit before tax increased by 13% to RM11.6 million from RM10.2 million. For the 6-month ended 30 September 2008, the Group's profit before tax was significantly higher at RM22.2 million as compared to RM10.6 million for the previous corresponding period. The higher profits were driven by sales growth and margin improvement.

14. Comparison with previous quarter's results

The Group's sales was higher at RM186.9 million as compared to RM165.9 million in the immediate preceding quarter and this has resulted in profit before tax increasing from RM10.2 million to RM11.6 million.

15. Prospects for the current financial year

The Directors are of the opinion that the Group's operating results for the current financial year are expected to be better than last financial year provided the global economic situation does not worsen.

16. Deviation from profit forecast and profit guarantee

Not applicable.

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)

17. Taxation

Taxation comprises: -

Period ended	Individual Quarter		Cumulative Quarter	
	30/09/2008 RM'000	30/09/2007 RM'000	30/09/2008 RM'000	30/09/2007 RM'000
Current taxation	741	659	2,168	722
Deferred tax – current year	164	46	7	(22)
	<u>905</u>	<u>705</u>	<u>2,175</u>	<u>700</u>

The effective tax rates of the Group for the current quarter and financial year to-date are lower than the statutory tax rate mainly due to the utilisation of reinvestment allowances and different tax rate in foreign jurisdiction.

18. Profit on disposal of properties and unquoted securities

There was no sale of unquoted investments and/or properties for the current quarter and financial year to-date.

19. Purchase or disposal of quoted securities

There was no purchase and/or disposal of quoted securities for the current quarter.

Investment comprises: -

	As at 30/09/2008 RM'000	As at 31/03/2008 RM'000
At cost / carrying amount:-		
Shares quoted in Malaysia	<u>26,847</u>	<u>26,787</u>
At market value:-		
Shares quoted in Malaysia	<u>35,616</u>	<u>37,574</u>

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)

20. Corporate proposals

On 30 July 2008, the Company (or “FPIB”) proposes to undertake the following:

- (i) a bonus issue of up to 34,383,010 new ordinary shares of RM1.00 each in FPIB (“FPIB Shares” or “Shares”) (“Bonus Shares”), to be credited as fully paid-up, on the basis of 2 Bonus Shares for every 5 existing Shares held in the Company (“Proposed Bonus Issue”);
- (ii) a share split involving the subdivision of every 1 FPIB Share held in the Company into 2 ordinary shares of RM0.50 each in FPIB (“Proposed Share Split”);
- (iii) amendment to existing By-Laws of its Employee Share Option Scheme (“ESOS”) to align with amendments to relevant regulation requirements and to extend participation to Non-Executive Directors of FPIB in the existing ESOS of the Company (Proposed By-Laws Amendment);
- (iv) amendment to the Memorandum of Association of FPIB to facilitate the Proposed Share Split (“Proposed Amendment”).

The above are collectively referred to as the Proposals.

The Proposals were approved by the Bursa Malaysia Securities Berhad and the shareholders of the Company at the Extraordinary General Meeting held on 19 September 2008. The Proposals are expected to be completed by the fourth quarter of 2008.

21. Group borrowings (interest bearing) and debt securities

<u>As at end of the year</u>	30/09/2008 RM'000	31/03/2008 RM'000
Repayable within twelve months:-		
Bank overdraft – secured	-	10,106
Trade financing – secured	1,156	1,577
Sub total	1,156	11,683
Repayable after twelve months:-		
Term loans – secured	422	399
Total	1,578	12,082

Included in the above are borrowings denominated in foreign currency as follows:-

	RM'000	RM'000
HKD borrowings	-	9,110
USD borrowings	1,156	2,476
GBP borrowings	422	496

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)

22. Financial instruments with off balance sheet risk

Forward foreign exchange sale contracts that were entered into as at 10 November 2008 (being a date not earlier than 7 days from the date of issue of the quarterly report) by the Company were RM57.3 million. These contracts were entered into as hedges for sales denominated in foreign currencies and to limit the exposure to potential changes in foreign exchange rates with respect to the Company's foreign currencies denominated estimated receipts. The maturity period of these contracts range from October 2008 to April 2009.

23. Material litigation

There was no pending material litigation since the last annual balance sheet date.

24. Dividend

The Board of Directors had proposed a final tax exempt dividend of 7 sen per share of RM1.00 each for the financial year ended 31 March 2008 (31 March 2007 : tax exempt dividend of 3.0 sen per share of RM1.00 each). The dividend was approved by the shareholders at the Annual General Meeting held on 19 September 2008 and was paid on 10 November 2008.

No dividend has been proposed for this quarter.

25. Earnings per share

(a) Basic

	Individual quarter		Cumulative quarter	
	Current year 30/09/08	Preceding year 30/09/07	Current year 30/09/08	Preceding year 30/09/07
Net profit attributable to equity holders of the parent (RM'000)	8,139	8,235	15,643	8,374
Weighted average number of shares ('000)	82,107	82,107	82,107	82,107
Basic earnings per share (sen)	9.91	10.03	19.05	10.20

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)**25. Earning per share (continued)**

(b) Diluted

	Individual quarter		Cumulative quarter	
	Current year 30/09/08	Preceding year 30/09/07	Current year 30/09/08	Preceding Year 30/09/07
Net profit attributable to equity holders of the parent (RM'000)	8,139	8,235	15,643	8,374
Weighted average number of shares ('000)	82,107	82,107	82,107	82,107
Diluted earnings per share (sen)	NA	NA	NA	NA

The diluted earnings per share for the current quarter and financial year to-date have not been disclosed as its effects on the earnings per share are anti-dilutive.

