

## FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)

### EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2008

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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.

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### 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 31 December 2008 other than those mentioned in Note 20.

### 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	2,463	-
Final dividend in respect of FY2008		
– 7.0 sen per ordinary share tax exempt	5,747	-
First and final dividend in respect of FY2007		
– 3.0 sen per ordinary share tax exempt	-	2,463
	<u>8,210</u>	<u>2,463</u>

### 8. Segmental reporting

9-month period	Revenue		Segment assets		Capital expenditure	
	by location of customers		by location of assets		By location of assets	
	2009	2008	31/12/2008	31/03/2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	212,237	253,600	181,044	182,377	3,963	3,837
Asia	239,905	153,846	69,667	59,949	2,564	1,060
Europe	6,071	9,149	7,343	11,828	80	62
America	12,884	19,679	-	-	-	-
Others	260	276	-	-	-	-
	<u>471,357</u>	<u>436,550</u>	<u>258,054</u>	<u>254,154</u>	<u>6,607</u>	<u>4,959</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.

## **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, the Group's profit before tax was RM0.9 million as compared to RM5.0 million in the preceding year's corresponding quarter mainly due to lower sales. Sales dropped by 15% to RM122.9 million from RM144.2 million. For the 9-month period ended 31 December 2008, the Group's profit before tax increased significantly to RM23.1 million from RM15.6 million or an increase of 48% on back of higher sales.

## **14. Comparison with previous quarter's results**

The Group's sales for the current quarter was RM122.9 million as compared to RM186.9 million in the immediate preceding quarter, a drop of 34%. This has resulted in profit before tax decreasing from RM11.6 million to RM0.9 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 that the global economic situation does not worsen.

## 16. Deviation from profit forecast and profit guarantee

Not applicable.

## 17. Taxation

Taxation comprises: -

Period ended	Individual Quarter		Cumulative Quarter	
	31/12/2008 RM'000	31/12/2007 RM'000	31/12/2008 RM'000	31/12/2007 RM'000
Current taxation	(58)	628	2,110	1,396
Deferred tax – current year	(101)	137	(94)	69
	<u>(159)</u>	<u>765</u>	<u>2,016</u>	<u>1,465</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

- (a) There was no purchase and/or disposal of quoted securities for the current quarter and financial year to-date.
- (b) Total investment in quoted securities (classified under investment in an associate) are as follows: -

	As at 31/12/2008 RM'000	As at 31/03/2008 RM'000
<b>At cost / carrying amount:-</b>		
Shares quoted in Malaysia	<u>28,129</u>	<u>26,787</u>
<b>At market value:-</b>		
Shares quoted in Malaysia	<u>31,198</u>	<u>37,574</u>

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### 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 completed in November 2008.

### 21. Group borrowings (interest bearing) and debt securities

<u>As at end of the year</u>	<u>31/12/2008</u> <u>RM’000</u>	<u>31/03/2008</u> <u>RM’000</u>
Repayable within twelve months:-		
Bank overdraft – secured	3,792	10,106
Term loans – secured	10	1,577
Sub total	<u>3,802</u>	<u>11,683</u>
Repayable after twelve months:-		
Term loans – secured	340	399
Total	<u>4,142</u>	<u>12,082</u>

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

	<u>RM’000</u>	<u>RM’000</u>
HKD borrowings	3,792	9,110
USD borrowings	-	2,476
GBP borrowings	350	496

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### 22. Financial instruments with off balance sheet risk

Forward foreign exchange sale contracts that were entered into as at 3 February 2009 (being a date not earlier than 7 days from the date of issue of the quarterly report) by the Company were RM27.7 million. These contracts were entered into as hedges for sales denominated in foreign currencies 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 January 2009 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 (31 December 2007 : tax exempt dividend of 3.0 sen per share of RM1.00 each).

### 25. Earnings per share

Comparative earnings per share have been restated to take into account the effect of the subdivision of ordinary share of RM1.00 into ordinary share of RM0.50 on 28 November 2008.

#### (a) Basic

	Individual quarter		Cumulative quarter	
	Current year 31/12/08	Preceding year 31/12/07	Current year 31/12/08	Preceding year 31/12/07
Net profit attributable to equity holders of the parent (RM'000)	220	3,368	15,862	11,742
Weighted average number of shares ('000)	188,488	164,213	172,334	164,213
Basic earnings per share (sen)	0.12	2.05	9.20	7.15

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**25. Earning per share (continued)**

(b) Diluted

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current year 31/12/08</b>	<b>Preceding year 31/12/07</b>	<b>Current year 31/12/08</b>	<b>Preceding Year 31/12/07</b>
Net profit attributable to equity holders of the parent (RM'000)	<b>220</b>	3,368	<b>15,862</b>	11,742
Weighted average number of shares ('000)	<b>188,488</b>	164,213	<b>172,334</b>	164,213
Diluted earnings per share (sen)	<b>NA</b>	NA	<b>NA</b>	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.

