

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)

**EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 30 JUNE 2009**

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 2009.

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 2009, as well as the new/revised standard mandatory for annual periods beginning on or after 1 April 2009.

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.

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.

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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 year to date, other than 2,613,000 ordinary shares of RM0.50 each issued under the Company's Employee Share Option Scheme.

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

8. Segmental reporting

3-month period	Revenue by location of customers		Segment assets by location of assets		Capital expenditure By location of assets	
	2010	2009	30/06/2009	31/03/2009	2010	2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	62,450	72,194	216,414	166,841	586	1,211
Asia	56,707	79,914	72,703	61,010	552	503
Europe	1,156	1,782	6,817	7,216	24	70
America	3,493	7,527	-	-	-	-
Others	13	114	-	-	-	-
	<u>123,819</u>	<u>161,531</u>	<u>295,934</u>	<u>235,067</u>	<u>1,162</u>	<u>1,784</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.

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10. Subsequent events

There were no material events subsequent to the end of the current financial year 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, despite the Group's sales dropped by 23% to RM123.8 million from the previous corresponding quarter of RM161.5 million, profit before tax was 20% higher at RM12.7 million as compared to RM10.6 million mainly attributable to improved product margin as a result of costs control measures and drop in cost of materials as witnessed by the plunge in commodity prices.

14. Comparison with previous quarter's results

The Group registered profit before tax of RM12.7 million as compared to loss before tax of RM4.1 million in the immediate preceding quarter mainly due to higher sales. Sales improved by 71% to RM123.8 million from the immediate preceding quarter of RM72.3 million.

15. Prospects for the current financial year

Barring unforeseen circumstances, the Directors are of the opinion that the Group's operating results for the financial year ended 31 March 2009 are expected to be sustainable in the financial year ending 31 March 2010.

16. Deviation from profit forecast and profit guarantee

Not applicable.

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17. Taxation

Taxation comprises: -

Period ended	Individual Quarter		Cumulative Quarter	
	30/06/2009 RM'000	30/06/2008 RM'000	30/06/2009 RM'000	30/06/2008 RM'000
Current taxation	2,558	1,429	2,558	1,429
Deferred tax – current year	(96)	(157)	(96)	(157)
	<u>2,462</u>	<u>1,272</u>	<u>2,462</u>	<u>1,272</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 30/06/2009 RM'000	As at 31/03/2009 RM'000
At cost / carrying amount:-		
Shares quoted in Malaysia	<u>28,222</u>	<u>28,222</u>
At market value:-		
Shares quoted in Malaysia	<u>31,299</u>	<u>29,184</u>

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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 (interest bearing) and debt securities

<u>As at end of the period</u>	<u>30/06/2009</u> RM'000	<u>31/03/2009</u> RM'000
Repayable within twelve months:-		
Term loans – secured	269	162
Repayable after twelve months:-		
Term loans – secured	352	343
Total	<u>621</u>	<u>505</u>

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

	RM'000	RM'000
GBP borrowings	621	505

22. Financial instruments with off balance sheet risk

Forward foreign exchange sale contracts that were entered into as at 23 July 2008 (being a date not earlier than 7 days from the date of issue of the quarterly report) by the Company were RM7.13 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 July 2009 to October 2009.

23. Material litigation

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

24. Dividend

The Board of Directors had declared an interim tax exempt dividend of 5.5 sen per share of RM0.50 each for the financial year ended 31 March 2009 (31 March 2008 : tax exempt dividend of 5.0 sen per share of RM0.50 each). The dividend was paid on 15 July 2009 to shareholders whose names appeared in the Record of Depositories as at the close of business on 30 June 2009.

No dividend has been proposed for this quarter.

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25. Earnings per share

Comparative earnings per share have been restated to take into account the effect of the bonus issue of 32,842,609 new ordinary shares of RM1.00 and 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 30/06/09	Preceding year 30/06/08	Current year 30/06/09	Preceding year 30/06/08
Net profit attributable to equity holders of the parent (RM'000)	9,102	7,502	9,102	7,502
Weighted average number of shares ('000)	230,613	229,898	230,613	229,898
Basic earnings per share (sen)	<u>3.95</u>	<u>3.26</u>	<u>3.95</u>	<u>3.26</u>

(b) Diluted

	Individual quarter		Cumulative quarter	
	Current year 30/06/09	Preceding year 30/06/08	Current year 30/06/09	Preceding Year 30/06/08
Net profit attributable to equity holders of the parent (RM'000)	9,102	7,502	9,102	7,502
Weighted average number of shares ('000)	233,307	229,898	233,307	229,898
Diluted earnings per share (sen)	<u>3.90</u>	<u>NA</u>	<u>3.90</u>	<u>NA</u>

The diluted earnings per share for the preceding year's quarter have not been disclosed as its effects on the earnings per share are anti-dilutive.

