

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)

EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 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. The Group has not taken the option of early adoption of the following new/revised standards that are mandatory for the Group's financial year beginning on or after 1 April 2010.

FRS 8 Operating Segments

The above standard is not anticipated to have any significant impact on the financial statements of the Group in the year of initial application.

The Group will apply the following standards from financial periods beginning on 1 April 2010. The Group has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of these standards on the financial statements of the Group.

FRS 139 Financial Instruments: Recognition and Measurement

FRS 7 Financial Instruments: Disclosures

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 year to date, other than 7,201,000 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
First and final Interim dividend in respect of FY2009		
– 5.5 sen per ordinary share tax exempt	12,788	-
Interim dividend in respect of FY2008		
– 1.5 sen per ordinary share tax exempt	-	2,463
Final dividend in respect of FY2008		
– 3.5 sen per ordinary share tax exempt	-	5,747
	<u>12,788</u>	<u>8,210</u>

8. Segmental reporting

9-month period	Revenue		Segment assets		Capital expenditure	
	by location of customers		by location of assets		By location of assets	
	2010	2009	31/12/2009	31/03/2009	2010	2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	197,796	212,237	212,355	166,841	2,565	3,965
Asia	186,053	239,905	85,203	61,010	10,031	2,564
Europe	4,897	6,071	7,923	7,216	27	80
America	8,757	12,884	-	-	-	-
Others	172	260	-	-	-	-
	<u>397,675</u>	<u>471,357</u>	<u>305,481</u>	<u>235,067</u>	<u>12,623</u>	<u>6,609</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

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

The Group's sales grew 14% to RM140.3 million for the current quarter under review from RM122.9 million in the previous corresponding quarter and the profit before tax jumped to RM16.1 million from RM0.9 million. This commendable performance was attributable to better product mix.

14. Comparison with previous quarter's results

The Group registered profit before tax of RM16.1 million as compared to RM15.1 million in the immediate preceding quarter mainly due to higher sales.

15. Prospects for the current financial year

Despite the challenging business environment, the Directors are of the opinion that the Group's operating results for the financial year ending 31 March 2010 are expected to be higher than the previous financial year's results.

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	
	31/12/2009 RM'000	31/12/2008 RM'000	31/12/2009 RM'000	31/12/2008 RM'000
Current taxation	2,376	(58)	7,725	2,110
Deferred tax – current year	(70)	(101)	(479)	(94)
	<u>2,306</u>	<u>(159)</u>	<u>7,246</u>	<u>2,016</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 and financial year to-date other than the purchase of 400,000 ordinary shares quoted in Malaysia for a consideration of RM316,000 in September 2009.

Investment comprises: -

	As at 31/12/2009 RM'000	As at 31/03/2009 RM'000
At cost / carrying amount:-		
Shares quoted in Malaysia	<u>28,538</u>	<u>28,222</u>
At market value:-		
Shares quoted in Malaysia	<u>34,157</u>	<u>29,184</u>

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)

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>	31/12/2009 RM'000	31/03/2009 RM'000
Repayable within twelve months:-		
Term loans – secured	42	162
Repayable after twelve months:-		
Term loans – secured	349	343
Total	<u>391</u>	<u>505</u>

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

	RM'000	RM'000
GBP borrowings	391	505

22. Financial instruments with off balance sheet risk

Forward foreign exchange sale contracts that were entered into as at 27 January 2010 (being a date not earlier than 7 days from the date of issue of the quarterly report) by the Company were RM12 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 January 2010 to April 2010.

23. Material litigation

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

24. Dividend

The Board had declared an interim tax exempt dividend of 3.0 sen per share of RM0.50 each in respect of financial period ended 30 September 2009 (30 September 2008: Nil). The dividend was paid on 18 January 2010.

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)

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 31/12/09	Preceding year 31/12/08	Current year 31/12/09	Preceding year 31/12/08
Net profit attributable to equity holders of the parent (RM'000)	11,694	220	31,719	15,862
Weighted average number of shares ('000)	231,684	229,898	232,724	229,898
Basic earnings per share (sen)	<u>5.05</u>	<u>0.10</u>	<u>13.63</u>	<u>6.90</u>

(b) Diluted

	Individual quarter		Cumulative quarter	
	Current year 31/12/09	Preceding year 31/12/08	Current year 31/12/09	Preceding Year 31/12/08
Net profit attributable to equity holders of the parent (RM'000)	11,694	220	31,719	15,862
Weighted average number of shares ('000)	234,940	229,898	235,980	229,898
Diluted earnings per share (sen)	<u>4.98</u>	<u>NA</u>	<u>13.44</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.