

**EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE YEAR ENDED 31 MARCH 2010**

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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 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 year.

## 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 year.

### 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 12,294,000 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 FY2010 – 3.0 sen per ordinary share tax exempt	7,113	-
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>19,901</u>	<u>8,210</u>

### 8. Segmental reporting

12-month period	Revenue by location of customers		Segment assets by location of assets		Capital expenditure By location of assets	
	2010	2009	31/03/2010	31/03/2009	2010	2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	253,276	244,496	203,714	166,841	4,071	4,879
Asia	236,140	277,383	81,867	61,010	10,184	3,575
Europe	8,904	8,039	5,830	7,216	24	83
America	11,017	13,956	-	-	-	-
Others	164	255	-	-	-	-
	<u>509,501</u>	<u>544,129</u>	<u>291,411</u>	<u>235,067</u>	<u>14,279</u>	<u>8,537</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**

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 year 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 showed turnaround performance with profit before tax of RM5.9 million as compared to loss before tax of RM4.0 million in the previous corresponding quarter. This improved result was attributable to higher sales at RM111.8 million, an increase of 55% from RM72.3 million.

For the financial year ended 31 March 2010, despite sales dropped by 6% to RM509.5 million, profit before tax increased significantly to RM49.8 million from RM19.1 million mainly due to right product mix and competitive sourcing of materials.

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

The Group registered lower profit before tax of RM5.9 million for the current quarter as compared to RM16.1 million in the immediate preceding quarter mainly due to lower sales.

**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 2010 are expected to be sustainable in the financial year ending 31 March 2011.

**FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)**

**16. Deviation from profit forecast and profit guarantee**

Not applicable.

**17. Taxation**

Taxation comprises: -

Period ended	Individual Quarter		Cumulative Quarter	
	31/03/2010 RM'000	31/03/2009 RM'000	31/03/2010 RM'000	31/03/2009 RM'000
Current taxation	615	(361)	8,340	1,749
Deferred tax – current year (Over)/Under provision of in prior years	(58)	138	(536)	44
	<u>(31)</u>	<u>(879)</u>	<u>(31)</u>	<u>(879)</u>
	<u>526</u>	<u>(1,102)</u>	<u>7,773</u>	<u>914</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 31/03/2010 RM'000	As at 31/03/2009 RM'000
<b>At cost / carrying amount:-</b>		
Shares quoted in Malaysia	<u>28,538</u>	<u>28,222</u>
<b>At market value:-</b>		
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>	<u>31/03/2010</u> <u>RM'000</u>	<u>31/03/2009</u> <u>RM'000</u>
Repayable within twelve months:-		
Term loans – secured	74	163
Repayable after twelve months:-		
Term loans – secured	220	343
Total	<u>294</u>	<u>506</u>

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

	<u>RM'000</u>	<u>RM'000</u>
GBP borrowings	294	506

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

Forward foreign exchange sale contracts that were entered into as at 10 May 2010 (being a date not earlier than 7 days from the date of issue of the quarterly report) by the Company were RM2.7 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 was on April 2010.

### 23. Material litigation

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

### 24. Dividend

The Board of Directors is pleased to declare a second interim single tier tax exempt dividend of 7.0 sen per share of RM0.50 each in respect of the financial year ended 31 March 2010. The dividend will be payable on 22 July 2010 to shareholders of ordinary shares whose name appear in the Record of Depositors at the close of business on 30 June 2010.

The Board had on 18 January 2010 paid an interim tax exempt dividend of 3.0 sen per share of RM0.50 each in respect of the financial year ended 31 March 2010. (31 March 2009: first and final interim tax exempt dividend of 5.5 sen per share of RM0.50 each).

The total dividend for the financial year ended 31 March 2010 would be 10.0 sen per share.

**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 31/03/10	Preceding year 31/03/09	Current year 31/03/10	Preceding year 31/03/09
Net profit attributable to equity holders of the parent (RM'000)	4,393	(2,735)	36,110	13,125
Weighted average number of shares ('000)	238,629	186,708	234,180	186,708
Basic earnings per share (sen)	<u>1.84</u>	<u>(1.47)</u>	<u>15.42</u>	<u>7.03</u>

(b) Diluted

	Individual quarter		Cumulative quarter	
	Current year 31/03/10	Preceding year 31/03/09	Current year 31/03/10	Preceding Year 31/03/09
Net profit attributable to equity holders of the parent (RM'000)	4,393	(2,735)	36,110	13,125
Weighted average number of shares ('000)	242,148	186,708	237,108	186,708
Diluted earnings per share (sen)	<u>1.81</u>	<u>NA</u>	<u>15.23</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.