

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2010
(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual Quarter		Cumulative Quarter	
	3 months ended		Financial period ended	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	RM'000	RM'000	RM'000	RM'000
Revenue	155,119	140,255	515,878	397,675
Cost of sales	(134,336)	(114,938)	(447,776)	(330,246)
Gross profit	20,783	25,317	68,102	67,429
Other income	243	2,168	5,450	6,437
Distribution costs	(6,060)	(5,029)	(18,207)	(14,650)
Administrative expenses	(2,281)	(2,698)	(9,760)	(8,334)
Other expenses	(4,371)	(4,508)	(10,478)	(9,702)
Profit from operations	8,314	15,250	35,107	41,180
Finance costs	(80)	(35)	(172)	(129)
Share of profit in an associate	323	853	1,934	2,814
Profit before tax	8,557	16,068	36,869	43,865
Tax expense	(1,894)	(2,306)	(6,283)	(7,246)
Profit for the period	6,663	13,762	30,586	36,619
Attributable to:				
Equity holders of the parents	5,813	11,694	26,281	31,719
Minority interests	850	2,068	4,305	4,900
	6,663	13,762	30,586	36,619
Earnings per share (sen)				
Basic	2.4	5.0	10.7	13.6
Diluted	2.4	5.0	10.7	13.4

(The notes set out on pages 6 to 16 form an integral part of and should be read in conjunction with this interim financial report.)



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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter 3 months ended		Cumulative Quarter Financial period ended	
	31/12/2010 RM'000	31/12/2009 RM'000	31/12/2010 RM'000	31/12/2009 RM'000
Profit for the period	6,663	13,762	30,586	36,619
<u>Other comprehensive income / (loss), net of tax</u>				
Currency translation difference	826	121	(1,168)	(40)
Share of associate's other comprehensive income	(18)	-	(341)	-
Total comprehensive income	7,471	13,883	29,077	36,579
Attributable to:				
Equity holders of the parents	6,295	11,815	25,230	31,679
Minority interests	1,176	2,068	3,847	4,900
	7,471	13,883	29,077	36,579

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31/12/2010 RM'000	As at 31/03/2010 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	87,201	85,295
Intangibles assets	267	272
Investment in an associate	39,441	35,324
	126,909	120,891
Current assets		
Inventories	50,130	45,852
Trade and other receivables	90,577	79,006
Current tax assets	48	-
Derivative financial instruments	1,678	-
Short term funds	12,912	-
Cash, bank balances and deposits	91,246	80,986
	246,591	205,844
TOTAL ASSETS	373,500	326,735
EQUITY AND LIABILITIES		
Equity		
Share capital	122,824	121,096
Reserves	98,484	89,473
Equity attributable to equity holders of the Company	221,308	210,569
Minority interests	26,612	22,765
Total equity	247,920	233,334
Non-current liabilities		
Long term borrowings	153	220
Deferred tax liabilities	3,246	2,423
	3,399	2,643
Current liabilities		
Trade and other payables	120,762	88,415
Short term borrowings	68	74
Taxation	1,351	2,269
Total liabilities	125,580	93,401
TOTAL EQUITY AND LIABILITIES	373,500	326,735
Net assets per share attributable to equity holders of the Company (RM)	0.90	0.87

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	31/12/2010 RM'000	31/12/2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	36,869	43,865
Adjustments for:		
Depreciation	6,770	7,796
Other non-cash items	(1,853)	(2,271)
Operating profit before working capital changes	41,786	49,390
Net changes in working capital	13,989	12,180
Cash generated from operations	55,775	61,570
Other payments	(48)	(39)
Taxes paid	(6,426)	(1,352)
Net cash generated from operating activities	49,301	60,179
CASH FLOWS FROM INVESTING ACTIVITIES		
Additional investment in an associate	(2,997)	(316)
Interest received	899	472
Purchase of property, plant and equipment	(9,180)	(12,623)
Dividend received from an associate	1,281	2,971
Proceeds from disposal of property, plant and equipment	11	68
Net cash used in investing activities	(9,986)	(9,428)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of interest expenses	(36)	(10)
Proceeds from issuance of new shares	1,728	3,601
Repayment of borrowings	(64)	(152)
Dividend paid	(17,168)	(12,788)
Net cash used in financing activities	(15,540)	(9,349)
EXCHANGE DIFFERENCE	(127)	108
NET INCREASE IN CASH AND CASH EQUIVALENTS	23,648	41,510
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD		
As previously reported	80,986	59,187
Effect of exchange rate changes	(476)	41
	80,510	59,228
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	104,158	100,738

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Non-distributable				Distributable		Equity attributable to equity holders of the parent RM'000	Minority interests RM'000	Total equity RM'000	
	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Property revaluation surplus RM'000	Exchange fluctuation reserve RM'000	Available for-sales reserve RM'000				Retained profits RM'000
Balance as at 1 April 2010	121,096	994	1,259	1,414	1,377	-	84,429	210,569	22,765	233,334
Effects of applying FRSI.39	-	-	-	-	-	-	141	141	-	141
As restated	121,096	994	1,259	1,414	1,377	-	84,570	210,710	22,765	233,475
Total comprehensive income	-	-	-	-	(710)	(341)	26,281	25,230	3,847	29,077
Accretion of interest in an associate	-	-	-	-	-	-	808	808	-	808
Issue of new shares arising from ESOS	1,728	-	-	-	-	-	-	1,728	-	1,728
Dividend in respect of financial year 2010	-	-	-	-	-	-	(17,168)	(17,168)	-	(17,168)
Balance as at 31 December 2010	122,824	994	1,259	1,414	667	(341)	94,491	221,308	26,612	247,920
Balance as at 1 April 2009	114,949	994	1,259	1,414	3,813	-	67,954	190,383	18,525	208,908
Total comprehensive income	-	-	-	-	(40)	-	31,719	31,679	4,900	36,579
Accretion of interest in an associate	-	-	-	-	-	-	36	36	-	36
Issue of new shares arising from ESOS	3,601	-	-	-	-	-	-	3,601	-	3,601
Dividend in respect of financial year 2009	-	-	-	-	-	-	(12,788)	(12,788)	-	(12,788)
Dividend in respect of financial year 2010	-	-	-	-	-	-	(7,113)	(7,113)	-	(7,113)
Balance as at 31 December 2009	118,550	994	1,259	1,414	3,773	-	79,808	205,798	23,425	229,223

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FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE
PERIOD ENDED 31 DECEMBER 2010

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 Main Market 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 2010.

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 2010 except for the adoption of the following new/revised FRSs, Amendments to FRSs and IC Interpretations that are effective for financial periods beginning on or after 1 July 2009 or 1 January 2010:-

FRS 4 Insurance Contracts
FRS 7 Financial Instruments: Disclosures
FRS 8 Operating Segments
FRS 101 Presentation of Financial Statements (Revised)
FRS 123 Borrowing Costs (Revised)
FRS 132 Financial Instruments: Presentation
FRS 139 Financial Instruments: Recognition and Measurement
Amendments to FRS 2 Share-based Payment – Vesting Condition and Cancellation.
Amendment to FRS 5 Non-current Assets Held for Sale and Discontinued operations
Amendment to FRS 7 Financial Instruments: Disclosures
Amendment to FRS 8 Operating Segments
Amendment to FRS 107 Statement of Cash Flows
Amendment to FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
Amendment to FRS 110 Events after the Reporting Period
Amendment to FRS 116 Property, Plant and Equipment
Amendment to FRS 117 Leases
Amendment to FRS 118 Revenue
Amendment to FRS 119 Employee Benefits
Amendment to FRS 123 Borrowing Costs
Amendment to FRS 127 Consolidated and Separate Financial Statements
Amendment to FRS 128 Investments in Associates
Amendment to FRS 131 Interest in Joint Ventures
Amendment to FRS 132 Financial Instruments: Presentation
Amendment to FRS 134 Interim Financial Reporting
Amendment to FRS 136 Impairment of Assets
Amendment to FRS 138 Intangible assets
Amendment to FRS 139 Financial Instruments: Recognition and Measurement
Amendment to FRS 140 Investment Property
IC Interpretation 9: Reassessment of Embedded Derivatives

**FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
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IC Interpretation 10: Impairment and Interim Financial Reporting
IC Interpretation 11 FRS 2: Group and Treasury Share Transactions
IC Interpretation 14 FRS 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above new/revised FRSs, Amendments to FRSs and IC Interpretations does not have any significant financial impact on the Group except for the following:-

FRS 101(revised): Presentation of Financial Statements

Prior to the adoption of the revised FRS 101, the components of a set of financial statements consisted of a balance sheet, income statement, statement of changes in equity, cash flow statement and notes to the financial statements.

Upon the adoption of the revised FRS 101, a set of financial statements shall now comprise a statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements. The statement of comprehensive income consists of profit or loss for the period and other comprehensive income. All non-owner changes in equity previously presented in the consolidated statement of changes in equity are now presented in the statement of comprehensive income as components in other comprehensive income.

Amendment to FRS 117, Leases

Prior to the adoption of the Amendment to FRS 117, leasehold land that has an indefinite economic life and with title that is not expected to pass to the lessee by the end of the lease term is classified as operating lease. Upfront payments for the rights to use the leasehold land over a predetermined period are accounted for as prepaid lease payments and amortised on a straight-line basis over the remaining period of the lease.

Upon adoption of the Amendment to FRS 117 in relation to classification of leasehold land, the Group reassessed the classification of leasehold land as a finance lease or an operating lease based on the extent of risks and rewards associated with the land. The Group has determined that all leasehold land of the Group is in substance finance leases and has reclassified its leasehold land from prepaid lease payments to property, plant and equipment.

This change in classification has no effect to the profit or loss of the current period ended 30 June 2010 or the comparative prior period. The effect of the reclassification to the comparative of the prior year's statement of financial position is as follows:

31 March 2010	<u>Consolidated Balance Sheets</u> As previously reported RM'000	Reclassi- fication RM'000	<u>Consolidated Statement of Financial Position</u> As restated RM'000
Prepaid lease payments for land	11,667	-	-
Reclassification as leasehold land	-	11,667	11,667

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FRS 139, Financial Instruments: Recognition and Measurement

Prior to the adoption of FRS 139, financial derivatives are recognised on their settlement dates. Outstanding derivatives at the balance sheet date were not recognised. With the adoption of FRS 139, all financial assets and financial liabilities, including derivatives, are recognised at contract dates when, and only when, the Company or any subsidiary becomes a party to the contractual provisions of the instruments.

With the adoption of FRS 139, financial assets and financial liabilities recognised and unrecognised in the prior financial year are classed into the following categories:

	Pre-FRS 139	Post-FRS 139
1	Long-term equity investments	Available-for-sale investments
2	Long-term quoted debt instruments	Held-to-maturity investments
3	Private-debt instruments	Loans and receivables
4	Current investments	Financial assets at fair value through profit or loss
5	Unrecognised derivative assets	Financial assets at fair value through profit or loss
6	Long-term borrowings and bonds	Financial liabilities at amortised cost
7	Unrecognised derivative liabilities	Financial liabilities at fair value through profit or loss

The measurement bases applied to the financial assets and financial liabilities in the prior financial year were changed to conform to the measurement standards of FRS 139 in the current quarter. At initial recognition, all financial assets and financial liabilities are measured at their fair value plus in the case of financial instruments not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issuance of the instruments. Subsequent to their initial recognition, the financial assets and financial liabilities are measured as follows:

	Category	Measurement basis
1	Financial instruments at fair value through profit loss	At fair value through profit or loss
2	Held-to-maturity investments	At amortised cost effective interest method
3	Loans and receivables	At amortised cost effective interest method
4	Available-for-sale investments	At fair value through other comprehensive income, unless fair value cannot be reliably measured, in which case, they are measured at cost
5	Loans and other financial liabilities	At amortised cost effective interest method

Financial assets and financial liabilities designated as hedged items and hedging financial derivatives are accounted for using the specified hedge accounting requirements of FRS 139. All financial assets other than those classified as at fair value through profit or loss are subject to impairment test of FRS 139.

In accordance with FRS 139, the recognition, derecognition, measurement and hedge accounting requirements are applied prospectively from 1 April 2010. The effects of the remeasurement on 1 April 2010 of the financial assets and financial liabilities brought forward from the previous financial year are adjusted to the opening retained profits and other opening reserves as disclosed in the statement of changes in equity.

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FRS 7, Financial Instruments: Disclosures

FRS 7 requires comprehensive disclosure on qualitative and quantitative information about exposure to risks from financial instruments. Such disclosures will be made in the audited annual financial statements of the Group.

FRS 8, Operating Segments

Following the adoption of FRS 8, Operating Segments, effective 1 April 2010, an operating segment is a component of the Group that engages in business activities within a particular economic environment (geographical segment) from which it may earn revenues and incur expenses. The Group determines and presents operating segments based on information that is internally provided to the Chief Executive Officer, who is the Group's chief operation decision maker, to make decisions about resources to be allocated to the segment and assess its performance.

At the date of authorisation of this quarterly condensed financial report, the MASB had issued the following FRS and Interpretations but which were not yet effective (all effect for the financial periods beginning on and after 1 July 2010) and have not been adopted by the Group:

FRS 1 (Revised): First time adoption of Financial Reporting Standards

FRS 3 (Revised): Business Combination

FRS 124 (Revised): Related Party Disclosures

FRS 127 (Revised): Consolidated and Separate Financial Instruments (amended)

IC Interpretation 4: Determining whether an Arrangement contains a Lease

IC Interpretation 12: Service Concession Arrangements

IC Interpretation 13: Customer Loyalty Programmes

IC Interpretation 15: Agreements for the Construction of Real Estate

IC Interpretation 16: Hedges of Net Investments in a Foreign Operation

IC Interpretation 17: Distributions of Non-cash Assets to Owners

IC Interpretation 18: Transfers of Assets from Customers

IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments

The amendments to the FRS:

FRS 1: Additional Exemptions for First-time Adopters

FRS 1: Limited Exemption for Comparative FRS 7 Disclosures for First-time Adopters

FRS 2: Share-based Payment

FRS 2: Group Cash-settled Share-based Payment Transactions

FRS 5: Non-current Assets Held for Sale and Discontinued Operations

FRS 7: Improving Disclosures about Financial Instruments Improvements to FRSs (2010)

FRS 138: Intangible Assets

IC Interpretation 9: Reassessment of Embedded Derivatives

IC Interpretation 13: Customer Loyalty Programmes

IC Interpretation 14: Prepayments of a Minimum Funding Requirement

These new FRS and interpretations are not expected to have any significant impact on the financial statements of the Group upon their initial application.

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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.

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 3,455,500 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
Second interim dividend in respect of FY2010 – 7.0 sen per ordinary share tax exempt	17,168	-
First and final interim dividend in respect of FY2009 – 5.5 sen per ordinary share tax exempt	-	12,788
	<u>17,168</u>	<u>12,788</u>

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8. Segmental reporting

The Group's operations by geographical segments were as follows:-

	Malaysia RM'000	Asia RM'000	UK RM'000	Elimination RM'000	Total RM'000
9 months ended 31/12/10					
Revenue					
External	367,049	144,873	3,956	-	515,878
Inter-segment sales	38,600	15,894	-	(54,494)	-
Total revenue	<u>405,649</u>	<u>160,767</u>	<u>3,956</u>	<u>(54,494)</u>	<u>515,878</u>
Results					
Segment results	22,131	10,864	(180)	2,292	35,107
Finance cost	(104)	(27)	(41)	-	(172)
Share of result of associate	1,934	-	-	-	1,934
Profit before tax					<u>36,869</u>
Tax expense					<u>(6,283)</u>
Profit for the period					<u>30,586</u>
9 months ended 31/12/09					
Revenue					
External	310,367	80,846	6,462	-	397,675
Inter-segment sales	34,052	16,855	-	(50,907)	-
Total revenue	<u>344,419</u>	<u>97,701</u>	<u>6,462</u>	<u>(50,907)</u>	<u>397,675</u>
Results					
Segment results	33,161	11,463	(216)	(3,228)	41,180
Finance cost	(96)	(23)	(10)	-	(129)
Share of result of associate	2,814	-	-	-	2,814
Profit before tax					<u>43,865</u>
Tax expense					<u>(7,246)</u>
Profit for the period					<u>36,619</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 period that have not been reflected in the interim financial report.

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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 9-month period ended 31 December 2010, despite the increase of the Group's sales by 29% to RM516 million, the profit before tax dropped to RM36.8 million from RM43.8 million mainly attributable to rising material and operating costs.

14. Comparison with previous quarter's results

The Group's profit before tax of RM8.5 million is lower than the immediate preceding quarter of RM13.5 million mainly due to lower sales as well as increase in material and labour costs.

15. Prospects for the current financial year

The recovery of the world economy has not been even and certain. The world has seen fluctuating and surging commodity prices which fanned inflation concerns. Barring unforeseen circumstances, the Directors cautiously expect the results for the financial year ending 31 December 2011 to be satisfactory under the highly challenging environment.

16. Deviation from profit forecast and profit guarantee

Not applicable.

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17. Taxation

Taxation comprises: -

Period ended	Individual Quarter		Cumulative Quarter	
	31/12/2010 RM'000	31/12/2009 RM'000	31/12/2010 RM'000	31/12/2009 RM'000
Current taxation	742	2,376	4,623	7,725
Deferred tax – current year (Over)/Under provision of in prior years	(570)	(70)	(62)	(479)
	<u>1,722</u>	<u>-</u>	<u>1,722</u>	<u>-</u>
	<u>1,894</u>	<u>2,306</u>	<u>6,283</u>	<u>7,246</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 31/12/10 RM'000	As at 31/03/10 RM'000
At cost / carrying amount:-		
Shares quoted in Malaysia	<u>31,536</u>	<u>28,538</u>
At market value:-		
Shares quoted in Malaysia	<u>35,064</u>	<u>34,157</u>

20. Corporate proposals

There was no corporate proposal announced which remained incomplete as at the date of issue of the interim report.

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21. Group borrowings (interest bearing) and debt securities

<u>As at end of the period</u>	31/12/2010	31/03/2010
	RM'000	RM'000
Repayable within twelve months:-		
Term loans – secured	68	74
Repayable after twelve months:-		
Term loans – secured	153	220
Total	<u>221</u>	<u>294</u>

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

	RM'000	RM'000
GBP borrowings	221	294

22. Financial instruments

The outstanding forward currency contracts as at 31 December 2010 were as follows:-

	Currency	Notional amount	Fair value
		RM'000	RM'000
Less than 1 year			
Sale contracts	USD	34,293	1,678

The above contracts were entered into as hedges for USD sales. There is minimal credit risk as the contracts were entered into with reputable banks.

23. Material litigation

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

24. Dividend

The Board has declared a first interim single tier tax exempt dividend of 6 sen per ordinary share of RM0.50 each in respect of the financial period ended 31 December 2010. (31 December 2009: Nil).

The dividend will be payable on 7 April 2011 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 24 March 2011.

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25. Earnings per share

(a) Basic

	Individual quarter		Cumulative quarter	
	Current year 31/12/10	Preceding year 31/12/09	Current year 31/12/10	Preceding year 31/12/09
Net profit attributable to equity holders of the parent (RM'000)	5,813	11,694	26,281	31,719
Weighted average number of shares ('000)	245,526	231,684	244,867	232,724
Basic earnings per share (sen)	2.4	5.0	10.7	13.6

(b) Diluted

	Individual quarter		Cumulative quarter	
	Current year 31/12/10	Preceding year 31/12/09	Current year 31/12/10	Preceding Year 31/12/09
Net profit attributable to equity holders of the parent (RM'000)	5,813	11,694	26,281	31,719
Weighted average number of shares ('000)	247,222	234,940	246,563	235,980
Diluted earnings per share (sen)	2.4	5.0	10.7	13.4

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The figures have not been audited

26. Realised and Unrealised Profits

	As At End Of Current Quarter 31/12/2010 RM'000	As At End Of Preceding Quarter 30/09/2010 RM'000
Total retained profits of the Company and its subsidiaries:		
-Realised	79,289	77,163
-Unrealised	(1,061)	(1,708)
	78,228	75,455
Total share of retained profits from associated :		
-Realised	7,905	7,743
-Unrealised	(686)	(752)
	7,219	6,991
Total share of retained profits from joint controlled entity	NA	NA
	85,447	82,446
Less: Consolidation adjustments	9,044	6,373
Total Group retained profits	94,491	88,819