

FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
 INTERIM REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2012
 (The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual quarter		Cumulative quarter	
	Current year quarter 30/09/2012 RM'000	Preceding year corresponding quarter 30/09/2011 RM'000	Current year to date 30/09/2012 RM'000	Preceding year corresponding quarter 30/09/2011 RM'000
Revenue	227,380	206,472	584,074	464,845
Cost of sales	<u>(199,158)</u>	<u>(189,035)</u>	<u>(521,313)</u>	<u>(426,936)</u>
Gross profit	28,222	17,437	62,761	37,909
Other income	1,392	56	5,756	3,091
Distribution costs	<u>(7,288)</u>	<u>(6,131)</u>	<u>(18,886)</u>	<u>(17,104)</u>
Administrative expenses	<u>(2,876)</u>	<u>(3,466)</u>	<u>(9,900)</u>	<u>(9,321)</u>
Other expenses	<u>(5,206)</u>	<u>(3,036)</u>	<u>(9,113)</u>	<u>(7,551)</u>
Profit from operations	14,244	4,860	30,618	7,024
Finance costs	<u>(38)</u>	<u>(47)</u>	<u>(137)</u>	<u>(158)</u>
Share of profit in an associate	<u>836</u>	<u>1,612</u>	<u>2,672</u>	<u>2,515</u>
Profit before tax	15,042	6,425	33,153	9,381
Tax expense	<u>(2,742)</u>	<u>(825)</u>	<u>(6,238)</u>	<u>(2,386)</u>
Profit for the period	<u>12,300</u>	<u>5,600</u>	<u>26,915</u>	<u>6,995</u>
Profits attributable to:				
Owners of the parent	11,267	4,994	24,589	8,125
Non-controlling interests	<u>1,033</u>	<u>606</u>	<u>2,326</u>	<u>(1,130)</u>
	<u>12,300</u>	<u>5,600</u>	<u>26,915</u>	<u>6,995</u>
Earnings per share (sen)				
Basic	<u>4.6</u>	<u>2.0</u>	<u>10.0</u>	<u>3.3</u>
Diluted	<u>4.6</u>	<u>2.0</u>	<u>10.0</u>	<u>3.3</u>

(The notes set out on pages 6 to 13 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		Cumulative quarter	
	Current year quarter 30/09/2012 RM'000	Preceding year corresponding quarter 30/09/2011 RM'000	Current year to date 30/09/2012 RM'000	Preceding year corresponding quarter 30/09/2011 RM'000
Profit for the period	12,300	5,600	26,915	6,995
<u>Other comprehensive income / (loss), net of tax</u>				
Currency translation difference	(1,869)	4,144	(2,259)	4,034
Share of associate's other comprehensive income	(66)	(190)	(209)	(398)
Total comprehensive income	10,365	9,554	24,447	10,631
Profits attributable to:				
Owners of the parent	10,076	7,303	23,007	10,135
Non-controlling interests	289	2,251	1,440	496
	10,365	9,554	24,447	10,631

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/09/2012 RM'000	As at 31/12/2011 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	87,652	83,299
Prepaid land lease payment	18,708	18,948
Intangibles assets	267	267
Investment in an associate	40,683	40,542
	147,310	143,056
Current assets		
Inventories	49,760	54,422
Trade and other receivables	159,360	107,286
Current tax assets	1,390	736
Derivative financial instruments	56	-
Short term funds	35,221	41,886
Cash, bank balances and deposits	66,059	57,673
	311,846	262,003
TOTAL ASSETS	459,156	405,059
EQUITY AND LIABILITIES		
Equity		
Share capital	123,005	122,982
Reserves	111,510	98,343
	234,515	221,325
Equity attributable to equity holders of the Company	234,515	221,325
Non-controlling interests	39,772	38,332
Total equity	274,287	259,657
Non-current liabilities		
Long term borrowings	46	85
Deferred tax liabilities	3,222	2,517
	3,268	2,602
Current liabilities		
Trade and other payables	179,235	139,359
Derivative financial instruments	-	1,271
Short term borrowings	67	68
Taxation	2,299	2,102
	181,601	142,800
Total liabilities	184,869	145,402
TOTAL EQUITY AND LIABILITIES	459,156	405,059
Net assets per share attributable to owners of the parent (RM)	0.95	0.90

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	30/09/2012 RM'000	30/09/2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	33,153	9,381
Adjustments for:		
Depreciation	8,105	6,925
Other non-cash items	(70)	354
	<u>41,188</u>	<u>16,660</u>
Operating profit before working capital changes	41,188	16,660
Net changes in working capital	(12,891)	(9,249)
	<u>28,297</u>	<u>7,411</u>
Cash used in operations	28,297	7,411
Other payments	(46)	(59)
Taxes paid	(5,990)	(2,210)
Net cash from operating activities	<u>22,261</u>	<u>5,142</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Equity investment by non-controlling interest	-	9,900
Interest received	779	1,011
Purchase of property, plant and equipment	(13,305)	(3,597)
Prepaid land lease payment	-	(19,134)
Dividend received from an associate	2,322	1,625
Short term funds	(4,071)	12,912
Proceeds from disposal of property, plant and equipment	576	38
Net cash (used in)/from investing activities	<u>(13,699)</u>	<u>2,755</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new shares	23	158
Repayment of borrowings	(42)	(32)
Dividend paid	(9,840)	(14,747)
Net cash used in financing activities	<u>(9,859)</u>	<u>(14,621)</u>
	<u>(1,297)</u>	<u>(6,724)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,297)	(6,724)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD		
As previously reported	99,559	91,246
Effect of exchange rate changes	(1,054)	2,966
	<u>98,505</u>	<u>94,212</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u><u>97,208</u></u>	<u><u>87,488</u></u>

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INTERIM REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2012
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Non-distributable					Distributable			Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
			Capital reserve	Property revaluation surplus	Exchange fluctuation reserve	Available for-sales reserve	Retained profits	RM'000	RM'000	RM'000			
Balance as at 1 Jan 2012	122,982	994	1,259	1,414	3,551	268	90,857	221,325	38,332	259,657			
Total comprehensive income	-	-	-	-	(1,373)	(209)	24,589	23,007	1,440	24,447			
Issue of new shares arising from ESOS	23	-	-	-	-	-	-	23	-	23			
Dividend in respect of financial year 2011	-	-	-	-	-	-	(9,840)	(9,840)	-	(9,840)			
Balance as at 30 September 2012	123,005	994	1,259	1,414	2,178	59	105,606	234,515	39,772	274,287			
Balance as at 1 Jan 2011	122,824	994	1,259	1,414	669	571	93,193	220,924	26,612	247,536			
Total comprehensive income	-	-	-	-	2,408	(398)	8,125	10,135	496	10,631			
Issue of new shares arising from ESOS	158	-	-	-	-	-	-	158	-	158			
Equity investment by non-controlling interest	-	-	-	-	-	-	-	-	9,900	9,900			
Dividend in respect of financial year 2010	-	-	-	-	-	-	(14,747)	(14,747)	-	(14,747)			
Balance as at 30 September 2011	122,982	994	1,259	1,414	3,077	173	86,571	216,470	37,008	253,478			

(The notes set out on pages 6 to 13 form an integral part of and should be read in conjunction with this interim financial report)

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2012

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 December 2011.

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 December 2011.

These are the Group's condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS framework annual financial statements and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. The transition to MFRS framework does not have any financial impact to the financial statements of the Group.

2. Audit qualification

The audit report on the financial statements for the financial year ended 31 December 2011 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.

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.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2012

The figures have not been audited

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 45,600 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 RM'000
First interim single tier of 4 sen per ordinary share of RM0.50 each for the financial year ended 31 December 2011 (31 December 2010 : 6 sen per ordinary share)	<u>9,840</u>	<u>14,747</u>

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-month ended 30-9-2012					
Revenue					
External	427,147	153,219	3,708	-	584,074
Inter-segment sales	42,518	14,313	-	(56,831)	-
Total revenue	<u>469,665</u>	<u>167,532</u>	<u>3,708</u>	<u>(56,831)</u>	<u>584,074</u>
Results					
Segment results	25,896	4,822	(338)	238	30,618
Finance cost	(92)	(40)	(5)	-	(137)
Share of result in an associate	2,672	-	-	-	2,672
Profit before tax					<u>33,153</u>
Tax expense					<u>(6,238)</u>
Profit for the period					<u>26,915</u>

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2012

The figures have not been audited

8. Segmental reporting (Continued)

	Malaysia RM'000	Asia RM'000	UK RM'000	Elimination RM'000	Total RM'000
9-month ended 30-9-2011					
Revenue					
External	318,682	141,741	4,422	-	464,845
Inter-segment sales	30,258	19,786	-	(50,044)	-
Total revenue	348,940	161,527	4,422	(50,044)	464,845
Results					
Segment results	9,021	(2,358)	(714)	1,075	7,024
Finance cost	(116)	(39)	(3)	-	(158)
Share of result in an associate	2,515	-	-	-	2,515
Profit before tax					9,381
Tax expense					(2,386)
Profit for the period					6,995

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 to-date 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 to-date 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.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2012

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13. Review of performance

On a quarter to quarter basis, the Group's profit before tax was significantly higher at RM15.0 million compared to RM6.4 million in the previous corresponding quarter mainly due to higher volume and sales in the audio business achieved in the Malaysia and China operations. The Group's performance was also aided by improvement in the smart cards operations which registered good business volume.

On a year-to-date basis, the Group's profit before tax increased to RM33.1 million from RM9.4 million in the previous corresponding period due to reasons as aforementioned.

14. Comparison with previous quarter's results

Sales grew 13% to RM227.3 million in Q3 2012 from RM201.7 million in the immediately preceding quarter. This has resulted in higher profit before tax of RM15.0 million compared to RM13.9 million in the immediate preceding quarter.

15. Prospects for the current financial year

Barring unforeseen circumstances, the Directors expect the Group's performance for the current financial year will exceed that of the last financial year. But the business prospects remain challenging for this year and into next financial year given the intensifying competition and uncertain macro-economic outlook.

16. Deviation from profit forecast and profit guarantee

Not applicable.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2012

The figures have not been audited

17. Notes to the statement of comprehensive income

	Individual		Cumulative	
	Current	Preceding Year	Current	Preceding Year
	Quarter	Quarter	Quarter	Quarter
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging/(crediting):				
Income from short term funds	(154)	(129)	(343)	(635)
Interest income	(147)	(147)	(437)	(377)
Interest expenses	12	15	46	59
Depreciation and amortization	2,890	2,331	8,115	6,838
Foreign exchange gain	37	(547)	(1,554)	(2,262)
Derivatives (gain)/loss	(517)	2,817	(1,327)	3,941
(Gain)/Loss on disposal of property, plant and equipment	(44)	135	(14)	77
Property, plant and equipment written off	55	-	102	115
Inventories write down	1,413	-	1,413	-
Bad debts written off	136	-	136	-
Impairment loss on trade receivables	3,217	-	3,217	-

18. Taxation

	Individual		Cumulative	
	Current	Preceding Year	Current	Preceding Year
	Quarter	Quarter	Quarter	Quarter
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- Income tax	2,589	1,463	5,808	3,606
- Deferred tax	428	(638)	705	(1,220)
In respect of prior year				
- Income tax	(275)		(275)	
	2,742	825	6,238	2,386

The effective tax rate of the Group for the current quarter and financial year to-date is lower than the statutory tax rate mainly due to the different tax rate in foreign jurisdiction and utilisation of previous unrecognised tax losses.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2012

The figures have not been audited

19. Corporate proposals

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

20. Group borrowings (interest bearing) and debt securities

<u>As at end of the period</u>	30/09/2012	31/12/2011
	RM'000	RM'000
Repayable within twelve months:-		
Term loans – secured	46	68
Repayable after twelve months:-		
Term loans – secured	67	85
Total	<u>113</u>	<u>153</u>
GBP borrowings	<u>113</u>	<u>153</u>

21. Material litigation

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

22. Dividend

The Board of Directors has on 28 March 2012 paid a first interim single tier dividend of 4.0 sen per ordinary share of RM0.50 each in respect of financial year ended 31 December 2011 (2010: first interim single tier dividend of 6.0 sen per ordinary share of RM0.50 each).

No dividend has been proposed/declared for the current quarter.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2012

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23. Earnings per share

(a) Basic

	Individual		Cumulative	
	Current	Preceding Year	Current	Preceding Year
	Quarter 30/09/2012	Quarter 30/09/2011	Quarter 30/09/2012	Quarter 30/09/2011
Net profit attributable to equity holders of the parent (RM'000)	11,267	4,994	24,589	8,125
Weighted average number of shares ('000)	246,010	245,965	246,000	245,866
Basic earnings per share (sen)	4.6	2.0	10.0	3.3

(b) Diluted

	Individual		Cumulative	
	Current	Preceding Year	Current	Preceding Year
	Quarter 30/09/2012	Quarter 30/09/2011	Quarter 30/09/2012	Quarter 30/09/2011
Net profit attributable to equity holders of the parent (RM'000)	11,267	4,994	24,589	8,125
Weighted average number of shares ('000)	246,823	246,943	246,812	247,131
Diluted earnings per share (sen)	4.6	2.0	10.0	3.3

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2012

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24. Realised and Unrealised Profits

	As At End Of Current Quarter 30/09/2012 RM'000	As At End Of Preceding Quarter 30/06/2012 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	93,337	81,615
- Unrealised	(2,671)	(2,472)
	90,666	79,143
Total share of retained profits from an associate:		
- Realised	9,837	9,144
- Unrealised	(689)	(766)
	9,148	8,378
	99,814	87,521
Consolidation adjustments	5,792	6,818
Total Group retained profits	105,606	94,339