

FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
 INTERIM REPORT FOR THE PERIOD ENDED 31 DECEMBER 2012
 (The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual quarter		Cumulative quarter	
	Current year	Preceding year	Current year	Preceding year
	quarter	corresponding	to date	corresponding
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	RM'000	RM'000	RM'000
Revenue	150,400	153,505	734,473	618,350
Cost of sales	<u>(135,637)</u>	<u>(137,999)</u>	<u>(656,949)</u>	<u>(564,935)</u>
Gross profit	14,763	15,506	77,524	53,415
Other income	479	1,784	6,235	4,875
Distribution costs	<u>(5,788)</u>	<u>(5,253)</u>	<u>(24,674)</u>	<u>(22,357)</u>
Administrative expenses	<u>(4,165)</u>	<u>(3,665)</u>	<u>(14,065)</u>	<u>(12,986)</u>
Other expenses	<u>(1,861)</u>	<u>(1,119)</u>	<u>(10,974)</u>	<u>(8,670)</u>
Profit from operations	3,428	7,253	34,046	14,277
Finance costs	<u>(70)</u>	<u>(88)</u>	<u>(207)</u>	<u>(245)</u>
Share of profit in an associate	<u>48</u>	<u>515</u>	<u>2,720</u>	<u>3,030</u>
Profit before tax	3,406	7,680	36,559	17,062
Tax expense	<u>(938)</u>	<u>(2,341)</u>	<u>(7,176)</u>	<u>(4,727)</u>
Profit for the year	<u>2,468</u>	<u>5,339</u>	<u>29,383</u>	<u>12,335</u>
Profits attributable to:				
Owners of the parent	<u>2,511</u>	4,286	<u>27,100</u>	12,411
Non-controlling interests	<u>(43)</u>	<u>1,053</u>	<u>2,283</u>	<u>(76)</u>
	<u>2,468</u>	<u>5,339</u>	<u>29,383</u>	<u>12,335</u>
Earnings per share (sen)				
Basic	<u>1.0</u>	<u>1.7</u>	<u>11.0</u>	<u>5.0</u>
Diluted	<u>1.0</u>	<u>1.7</u>	<u>11.0</u>	<u>5.0</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 31/12/2012 RM'000	Preceding year corresponding quarter 31/12/2011 RM'000	Current year to date 31/12/2012 RM'000	Preceding year corresponding quarter 31/12/2011 RM'000
Profit for the year	2,468	5,339	29,383	12,335
<u>Other comprehensive income / (loss), net of tax</u>				
Currency translation difference	507	744	(1,752)	4,778
Share of associate's other comprehensive income	190	95	(19)	(303)
Total comprehensive income	<u>3,165</u>	<u>6,178</u>	<u>27,612</u>	<u>16,810</u>
Profits attributable to:				
Owners of the parent	2,973	4,854	25,980	14,990
Non-controlling interests	192	1,324	1,632	1,820
	<u>3,165</u>	<u>6,178</u>	<u>27,612</u>	<u>16,810</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31/12/2012 RM'000	As at 31/12/2011 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	88,955	83,299
Prepaid land lease payment	18,629	18,948
Intangibles assets	267	267
Investment in an associate	40,922	40,542
	148,773	143,056
Current assets		
Inventories	42,840	54,422
Trade and other receivables	102,473	107,286
Current tax assets	1,449	736
Derivative financial instruments	29	-
Short term funds	34,145	41,886
Cash, bank balances and deposits	96,400	57,673
	277,336	262,003
TOTAL ASSETS	426,109	405,059
EQUITY AND LIABILITIES		
Equity		
Share capital	123,005	122,982
Reserves	114,483	98,343
	237,488	221,325
Equity attributable to equity holders of the Company	237,488	221,325
Non-controlling interests	39,106	38,332
Total equity	276,594	259,657
Non-current liabilities		
Long term borrowings	7	85
Deferred tax liabilities	2,669	2,517
	2,676	2,602
Current liabilities		
Trade and other payables	145,640	139,359
Derivative financial instruments	-	1,271
Short term borrowings	87	68
Taxation	1,112	2,102
	146,839	142,800
Total liabilities	149,515	145,402
TOTAL EQUITY AND LIABILITIES	426,109	405,059
Net assets per share attributable to owners of the parent (RM)	0.97	0.90

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	31/12/2012 RM'000	31/12/2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	36,559	17,062
Adjustments for:		
Depreciation	11,149	9,682
Other non-cash items	33	(1,515)
	<u>47,741</u>	<u>25,229</u>
Operating profit before working capital changes	47,741	25,229
Net changes in working capital	15,896	(2,128)
	<u>63,637</u>	<u>23,101</u>
Cash used in operations	63,637	23,101
Other payments	(57)	(72)
Taxes paid	(8,727)	(5,405)
Net cash from operating activities	54,853	17,624
CASH FLOWS FROM INVESTING ACTIVITIES		
Equity investment by non-controlling interest	-	9,900
Acquisition of a subsidiary (net of cash balance)	(3,213)	-
Interest received	1,060	1,301
Purchase of property, plant and equipment	(14,096)	(4,537)
Prepaid land lease payment	-	(19,134)
Dividend received from an associate	2,322	1,625
Short term funds	(4,104)	-
Proceeds from disposal of property, plant and equipment	464	29
Net cash used in investing activities	(17,567)	(10,816)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new shares	23	158
Repayment of borrowings	(62)	(72)
Dividend paid	(9,840)	(14,747)
Net cash used in financing activities	(9,879)	(14,661)
	<u>27,407</u>	<u>(7,853)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	27,407	(7,853)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		
As previously reported	99,559	104,159
Effect of exchange rate changes	(523)	3,253
	<u>99,036</u>	<u>107,412</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	126,443	99,559

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Non-distributable						Distributable			Total equity
	Share capital	Share premium	Capital reserve	Property revaluation surplus	Exchange fluctuation reserve	Available for-sales reserve	Retained profits	Equity attributable to equity holders of the parent	Non-controlling interests	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 Jan 2012	122,982	994	1,259	-	3,551	268	92,271	221,325	38,332	259,657
Total comprehensive income	-	-	-	-	(1,101)	(19)	27,100	25,980	1,632	27,612
Issue of new shares arising from ESOS	23	-	-	-	-	-	-	23	-	23
Changes in equity interest in a subsidiary	-	-	-	-	-	-	-	-	(858)	(858)
Dividend in respect of financial year 2011	-	-	-	-	-	-	(9,840)	(9,840)	-	(9,840)
Balance as at 31 December 2012	123,005	994	1,259	-	2,450	249	109,531	237,488	39,106	276,594
Balance as at 1 Jan 2011	122,824	994	1,259	1,414	669	571	93,193	220,924	26,612	247,536
Effect of adoption of MFRS 1	-	-	-	(1,414)	-	-	1,414	-	-	-
Restated balance as at 1 January 2011	122,824	994	1,259	-	669	571	94,607	220,924	26,612	247,536
Total comprehensive income	-	-	-	-	2,882	(303)	12,411	14,990	1,820	16,810
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 31 December 2011	122,982	994	1,259	-	3,551	268	92,271	221,325	38,332	259,657

(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 31 DECEMBER 2012

The figures have not been audited

1. Accounting policies

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 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 have minimal 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 31 DECEMBER 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)	9,840	14,747

8. Segmental reporting

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

	Malaysia RM'000	Asia RM'000	UK/US RM'000	Elimination RM'000	Total RM'000
12-month ended 31-12-2012					
Revenue					
External	530,793	197,444	6,236	-	734,473
Inter-segment sales	52,658	18,509	-	(71,167)	-
Total revenue	<u>583,451</u>	<u>215,953</u>	<u>6,236</u>	<u>(71,167)</u>	<u>734,473</u>
Results					
Segment results	29,980	4,395	(440)	111	34,046
Finance cost	(116)	(54)	(37)	-	(207)
Share of result in an associate	2,720	-	-	-	2,720
Profit before tax					<u>36,559</u>
Tax expense					<u>(7,176)</u>
Profit for the year					<u><u>29,383</u></u>

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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
12-month ended 31-12-2011					
Revenue					
External	425,237	187,420	5,693	-	618,350
Inter-segment sales	40,389	27,766	-	(68,155)	-
Total revenue	465,626	215,186	5,693	(68,155)	618,350
Results					
Segment results	12,813	565	(701)	1,600	14,277
Finance cost	(144)	(52)	(49)	-	(245)
Share of result in an associate	3,030	-	-	-	3,030
Profit before tax					17,062
Tax expense					(4,727)
Profit for the year					12,335

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 which is deemed at cost upon the adoption of MFRS.

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 except for on 12 November 2012, the Company announced that:-

- (a) via its wholly-owned subsidiary, Formosa Prosonic Manufacturing Sdn Bhd, acquired 100% of the issued and paid-up share capital in Formosa Prosonic Manufacturing Corporation (USA) ("FPMC") from a non-related third party for a total cash consideration of USD1.38 million (equivalent to RM4.23 million). FPMC was incorporated in the State of California of the United States of America on 21 January 2010 and its paid-up share capital is USD1,331,919.00. FPMC is principally a trading company.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2012

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11. Changes in composition of the Group (cont'd)

- (b) it had acquired additional 600,000 ordinary shares of RM1.00 each, representing 30% of the issued and paid-up share capital in Energistic Sdn Bhd ("Energistic"), a subsidiary of FPI, from a non-related third party for a total cash consideration of RM858,000.00. As a result, Energistic became a wholly owned subsidiary of the Company.

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

On a quarter to quarter basis, the Group's profit before tax was lower at RM3.4 million compared to RM7.7 million in the previous corresponding quarter mainly due to lower sales in the audio business.

On a year-to-date basis, the Group's profit before tax increased sharply to RM36.6 million from RM17.1 million in the previous corresponding period mainly attributable to higher sales.

14. Comparison with previous quarter's results

Sales dropped by 34% to RM150.4 million in Q4 2012 from RM227.4 million in the immediately preceding quarter. This has resulted in lower profit before tax of RM3.4 million compared to RM15.0 million in the immediate preceding quarter.

15. Prospects for the current financial year

Barring unforeseen circumstances, the Directors expect the business prospects for the financial year ending 31 December 2013 to remain challenging given the intensifying competition, higher labour costs 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 31 DECEMBER 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
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging/(crediting):				
Income from short term funds	(128)	(85)	(470)	(720)
Interest income	(153)	(204)	(590)	(581)
Interest expenses	12	13	57	72
Depreciation and amortization	3,052	2,634	11,149	9,472
Foreign exchange gain	177	(716)	(1,377)	(2,979)
Derivatives (gain)/loss	27	(993)	(1,300)	2,948
(Gain)/Loss on disposal of property, plant and equipment	118	(93)	104	(15)
Property, plant and equipment written off	-	9	102	126
Inventories write off/down	384	-	1,797	-
Bad debts written off	-	-	136	-
Impairment loss on trade receivables	-	-	3,217	-

18. Taxation

	Individual		Cumulative	
	Current	Preceding Year	Current	Preceding Year
	Quarter	Quarter	Quarter	Quarter
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	RM'000	RM'000	RM'000
In respect of current year				
- Income tax	1,507	1,382	7,315	4,988
- Deferred tax	(1,533)	91	(828)	(1,129)
In respect of prior year				
- Income tax	(16)	871	(291)	871
- Deferred tax	980	(3)	980	(3)
	938	2,341	7,176	4,727

The effective tax rate of the Group for the current quarter is higher than the statutory tax rate mainly due to certain expenses not tax allowable. The effective tax rate of the Group for the current 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 31 DECEMBER 2012

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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>	31/12/2012	31/12/2011
	RM'000	RM'000
Repayable within twelve months:-		
Term loans – secured	87	68
Repayable after twelve months:-		
Term loans – secured	7	85
Total	<u>94</u>	<u>153</u>
GBP borrowings	<u>94</u>	<u>153</u>

21. Material litigation

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

22. Dividend

The Board has declared a first interim single tier tax exempt dividend of 6.0 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2012 (31 December 2011: 4.0 sen).

The dividend will be payable on 8 April 2013 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 28 March 2013.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2012

The figures have not been audited

23. Earnings per share

(a) Basic

	Individual		Cumulative	
	Current Quarter 31/12/2012	Preceding Year Quarter 31/12/2011	Current Quarter 31/12/2012	Preceding Year Quarter 31/12/2011
Net profit attributable to equity holders of the parent (RM'000)	2,511	4,286	27,100	12,411
Weighted average number of shares ('000)	246,010	245,965	246,002	245,891
Basic earnings per share (sen)	<u>1.0</u>	<u>1.7</u>	<u>11.0</u>	<u>5.0</u>

(b) Diluted

	Individual		Cumulative	
	Current Quarter 31/12/2012	Preceding Year Quarter 31/12/2011	Current Quarter 31/12/2012	Preceding Year Quarter 31/12/2011
Net profit attributable to equity holders of the parent (RM'000)	2,511	4,286	27,100	12,411
Weighted average number of shares ('000)	246,757	246,893	246,694	247,109
Diluted earnings per share (sen)	<u>1.0</u>	<u>1.7</u>	<u>11.0</u>	<u>5.0</u>

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24. Realised and Unrealised Profits

	As At End Of Current Quarter 31/12/2012 RM'000	As At End Of Preceding Quarter 30/09/2012 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	94,033	93,337
- Unrealised	(618)	(2,671)
	93,415	90,666
Total share of retained profits from an associate:		
- Realised	10,103	9,837
- Unrealised	(717)	(689)
	9,386	9,148
	102,801	99,814
Consolidation adjustments	6,730	5,792
Total Group retained profits	109,531	105,606