

FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
 INTERIM REPORT FOR THE PERIOD ENDED 31 MARCH 2013
 (The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual quarter		Cumulative quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding quarter
	31/03/2013 RM'000	31/03/2012 RM'000	31/03/2013 RM'000	31/03/2012 RM'000
Revenue	104,971	154,957	104,971	154,957
Cost of sales	<u>(94,772)</u>	<u>(143,701)</u>	<u>(94,772)</u>	<u>(143,701)</u>
Gross profit	10,199	11,256	10,199	11,256
Other income	1,533	2,858	1,533	2,858
Distribution costs	(4,530)	(5,362)	(4,530)	(5,362)
Administrative expenses	(3,255)	(3,182)	(3,255)	(3,182)
Other expenses	<u>(1,324)</u>	<u>(2,251)</u>	<u>(1,324)</u>	<u>(2,251)</u>
Profit from operations	2,623	3,319	2,623	3,319
Finance costs	(21)	(49)	(21)	(49)
Share of profit in an associate	150	981	150	981
Profit before tax	2,752	4,251	2,752	4,251
Tax expense	<u>(1,081)</u>	<u>(1,455)</u>	<u>(1,081)</u>	<u>(1,455)</u>
Profit for the year	<u>1,671</u>	<u>2,796</u>	<u>1,671</u>	<u>2,796</u>
Profits attributable to:				
Owners of the parent	1,751	2,962	1,751	2,962
Non-controlling interests	<u>(80)</u>	<u>(166)</u>	<u>(80)</u>	<u>(166)</u>
	<u>1,671</u>	<u>2,796</u>	<u>1,671</u>	<u>2,796</u>
Earnings per share (sen)				
Basic	<u>0.7</u>	<u>1.2</u>	<u>0.7</u>	<u>1.2</u>
Diluted	<u>0.7</u>	<u>1.2</u>	<u>0.7</u>	<u>1.2</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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INTERIM REPORT FOR THE PERIOD ENDED 31 MARCH 2013
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual quarter		Cumulative quarter	
	Current year quarter 31/03/2013 RM'000	Preceding year corresponding quarter 31/03/2012 RM'000	Current year to date 31/03/2013 RM'000	Preceding year corresponding quarter 31/03/2012 RM'000
Profit for the year	1,671	2,796	1,671	2,796
<u>Other comprehensive income / (loss), net of tax</u>				
Currency translation difference	1,215	(2,263)	1,215	(2,263)
Share of associate's other comprehensive income	(19)	(123)	(19)	(123)
Total comprehensive income	<u>2,867</u>	<u>410</u>	<u>2,867</u>	<u>410</u>
Profits attributable to:				
Owners of the parent	2,523	1,462	2,523	1,462
Non-controlling interests	<u>344</u>	<u>(1,052)</u>	<u>344</u>	<u>(1,052)</u>
	<u>2,867</u>	<u>410</u>	<u>2,867</u>	<u>410</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31/03/2013 RM'000	As at 31/12/2012 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	86,681	88,955
Prepaid land lease payment	18,549	18,629
Intangibles assets	267	267
Investment in an associate	39,195	40,922
	144,692	148,773
Current assets		
Inventories	45,767	42,840
Trade and other receivables	85,422	102,473
Current tax assets	1,509	1,449
Derivative financial instruments	-	29
Short term funds	15,734	34,145
Cash, bank balances and deposits	95,967	96,400
	244,399	277,336
TOTAL ASSETS	389,091	426,109
EQUITY AND LIABILITIES		
Equity		
Share capital	123,660	123,005
Reserves	102,167	114,483
	225,827	237,488
Equity attributable to equity holders of the Company	225,827	237,488
Non-controlling interests	39,450	39,106
Total equity	265,277	276,594
Non-current liabilities		
Long term borrowings	-	7
Deferred tax liabilities	2,794	2,669
	2,794	2,676
Current liabilities		
Trade and other payables	105,633	145,640
Short term borrowings	83	87
Taxation	465	1,112
Dividend Payable	14,839	-
	121,020	146,839
Total liabilities	123,814	149,515
TOTAL EQUITY AND LIABILITIES	389,091	426,109
Net assets per share attributable to owners of the parent (RM)	0.91	0.97

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	31/03/2013 RM'000	31/03/2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,752	4,251
Adjustments for:		
Depreciation	3,002	2,514
Other non-cash items	(562)	(2,809)
	<u>5,192</u>	<u>3,956</u>
Operating profit before working capital changes	5,192	3,956
Net changes in working capital	<u>(25,530)</u>	<u>(19,402)</u>
Cash used in operations	(20,338)	(15,446)
Other payments	(8)	(17)
Taxes paid	(1,664)	(2,094)
Net cash from operating activities	<u>(22,010)</u>	<u>(17,557)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	270	259
Purchase of property, plant and equipment	(692)	(483)
Dividend received from an associate	1,858	2,322
Short term funds	(4,104)	-
Proceeds from disposal of property, plant and equipment	197	(25)
Net cash used in investing activities	<u>(2,471)</u>	<u>2,073</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new shares	655	23
Repayment of borrowings	(6)	-
Dividend paid	-	(9,840)
Net cash used in financing activities	<u>649</u>	<u>(9,817)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(23,832)</u>	<u>(25,301)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		
As previously reported	<u>130,545</u>	<u>99,559</u>
Effect of exchange rate changes	<u>885</u>	<u>(684)</u>
	<u>131,430</u>	<u>98,875</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	<u><u>107,598</u></u>	<u><u>73,574</u></u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Non-distributable					Distributable		Equity attributable to equity holders of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Available for-sales reserve RM'000	Retained profits RM'000	Equity attributable to equity holders of the parent RM'000			
Balance as at 1 Jan 2013	123,005	994	1,259	2,450	249	109,531	237,488	39,106	276,594	
Total comprehensive income	-	-	-	791	(19)	1,751	2,523	344	2,867	
Issue of new shares arising from ESOS	655	-	-	-	-	-	655	-	655	
Changes in equity interest in a subsidiary	-	-	-	-	-	-	-	-	-	
Dividend in respect of financial year 2012	-	-	-	-	-	(14,839)	(14,839)	-	(14,839)	
Balance as at 31 March 2013	123,660	994	1,259	3,242	230	96,443	235,827	39,450	265,277	
Restated balance as at 1 January 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	

(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 MARCH 2013

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 2012.

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 2012, except for the adoption of the following:

MFRSs / Amendments / Interpretations	Effective date
Amendments to MFRS 101, <i>Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income</i>	1 July 2012
MFRS 3, <i>Business Combinations (2004)</i>	1 January 2013
MFRS 10, <i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11, <i>Joint Arrangements</i>	1 January 2013
MFRS 12, <i>Disclosure of Interests in Other Entities</i>	1 January 2013
MFRS 13, <i>Fair Value Measurement</i>	1 January 2013
MFRS 119, <i>Employee Benefits (2011)</i>	1 January 2013
MFRS 127, <i>Consolidated and Separate Financial Statements</i>	1 January 2013
MFRS 127, <i>Separate Financial Statements (2011)</i>	1 January 2013
MFRS 128, <i>Investment in Associates and Joint Ventures (2011)</i>	1 January 2013
Amendments to MFRS 7, <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to MFRS 10, <i>Consolidated Financial Statements - Transition Guidance</i>	1 January 2013
Amendments to MFRS 11, <i>Joint Arrangements – Transition Guidance</i>	1 January 2013
Amendments to MFRS 12, <i>Disclosure of Interests in Other Entities - Transition Guidance</i>	1 January 2013
Annual Improvements 2009 – 2011 Cycle	1 January 2013

The initial application of the aforesaid applicable standards, amendments or interpretations are not expected to have any material financial impacts to the current and prior periods financial statements upon their first adoption.

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 transitions to MFRS framework have minimal financial impact to the financial statements of the Group.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2013

The figures have not been audited

2. Audit qualification

The audit report on the financial statements for the financial year ended 31 December 2012 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 1,310,500 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 RM'000
First interim single tier of 4 sen per ordinary share of RM0.50 each for the financial year ended 31 December 2011	-	9,840

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2013

The figures have not been audited

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
3-month ended 31-3-2013					
Revenue					
External	69,317	31,689	3,965	-	104,971
Inter-segment sales	4,783	3,379	-	(8,162)	-
Total revenue	74,100	35,068	3,965	(8,162)	104,971
Results					
Segment results	5,004	(372)	(549)	(1,460)	2,623
Finance cost	(11)	(10)	-	-	(21)
Share of result in an associate	150	-	-	-	150
Profit before tax					2,752
Tax expense					(1,081)
Profit for the year					1,671
3-month ended 31-3-2012					
Revenue					
External	116,840	37,178	939	-	154,957
Inter-segment sales	7,486	4,156	-	(11,642)	-
Total revenue	124,326	41,334	939	(11,642)	154,957
Results					
Segment results	5,096	(345)	(206)	(1,226)	3,319
Finance cost	(35)	(13)	(1)	-	(49)
Share of result in an associate	981	-	-	-	981
Profit before tax					4,251
Tax expense					(1,455)
Profit for the year					2,796

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 are deemed at cost upon the adoption of MFRS.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2013

The figures have not been audited

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.

13. Review of performance

For Q1 2013, the Group's profit before tax was lower at RM2.8 million compared to RM4.3 million in the previous corresponding quarter mainly due to lower sales in the audio business.

14. Comparison with previous quarter's results

Sales dropped by 30% to RM105.0 million in Q1 2013 from RM150.4 million in the immediately preceding quarter. This has resulted in lower profit before tax of RM2.8 million compared to RM3.4 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 MARCH 2013

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
	31/3/2013	31/03/2012	31/3/2013	31/03/2012
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging/(crediting):				
Income from short term funds	(112)	(125)	(112)	(125)
Interest income	(158)	(134)	(158)	(134)
Interest expenses	8	17	8	17
Depreciation and amortization	3,002	2,503	3,002	2,503
Foreign exchange gain	(174)	(216)	(174)	(216)
Derivatives (gain)/loss	29	(1,351)	29	(1,351)
Reversal of impairment loss on Trade receivables	(475)	-	(475)	-
Loss on disposal of property, plant and equipment	-	39	-	39
Property, plant and equipment written off	4	2	4	2

18. Taxation

	Individual		Cumulative	
	Current	Preceding Year	Current	Preceding Year
	Quarter	Quarter	Quarter	Quarter
	31/3/2013	31/03/2012	31/3/2013	31/03/2012
	RM'000	RM'000	RM'000	RM'000
In respect of current year				
- Income tax	957	770	957	770
- Deferred tax	124	685	124	685
	1,081	1,455	1,081	1,455

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 and different tax rate in foreign jurisdiction.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2013

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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>	31/3/2013 RM'000	31/12/2012 RM'000
Repayable within twelve months:-		
Term loans – secured	83	87
Repayable after twelve months:-		
Term loans – secured	-	7
Total	<u>83</u>	<u>94</u>
GBP borrowings	<u>83</u>	<u>94</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 was paid 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.

The Board has not recommended any dividend for the current quarter.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2013

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23. Earnings per share

(a) Basic

	Individual		Cumulative	
	Current	Preceding Year	Current	Preceding Year
	Quarter	Quarter	Quarter	Quarter
	31/3/2013	31/03/2012	31/3/2013	31/03/2012
Net profit attributable to equity holders of the parent (RM'000)	1,751	2,962	1,751	2,962
Weighted average number of shares ('000)	246,316	245,978	246,316	245,978
Basic earnings per share (sen)	0.7	1.2	0.7	1.2

(b) Diluted

	Individual		Cumulative	
	Current	Preceding Year	Current	Preceding Year
	Quarter	Quarter	Quarter	Quarter
	31/3/2013	31/03/2012	31/3/2013	31/03/2012
Net profit attributable to equity holders of the parent (RM'000)	1,751	2,962	1,751	2,962
Weighted average number of shares ('000)	246,714	246,860	246,714	246,860
Diluted earnings per share (sen)	0.7	1.2	0.7	1.2

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2013

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24. Realised and Unrealised Profits

	As At End Of Current Quarter 31/12/2013 RM'000	As At End Of Preceding Quarter 31/12/2012 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	85,452	94,033
- Unrealised	(985)	(618)
	84,467	93,415
Total share of retained profits from an associate:		
- Realised	8,282	10,103
- Unrealised	(621)	(717)
	7,661	9,386
Consolidation adjustments	92,128 4,315	102,801 6,730
Total Group retained profits	96,443	109,531