

FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
 INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2013
 (The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual quarter		Cumulative quarter	
	Current year quarter 30/06/2013 RM'000	Preceding year corresponding quarter 30/06/2012 RM'000	Current year to date 30/06/2013 RM'000	Preceding year corresponding quarter 30/06/2012 RM'000
Revenue	156,978	201,737	261,949	356,694
Cost of sales	(138,652)	(178,454)	(233,424)	(322,155)
Gross profit	18,326	23,283	28,525	34,539
Other income	1,549	1,505	3,082	4,363
Distribution costs	(5,080)	(6,236)	(9,610)	(11,598)
Administrative expenses	(3,286)	(3,841)	(6,541)	(7,023)
Other expenses	(1,571)	(1,656)	(2,895)	(3,907)
Profit from operations	9,938	13,055	12,561	16,374
Finance costs	(36)	(50)	(57)	(99)
Share of profit in an associate	178	855	328	1,836
Profit before tax	10,080	13,860	12,832	18,111
Tax expense	(1,876)	(2,041)	(2,957)	(3,496)
Profit for the period	8,204	11,819	9,875	14,615
Profits attributable to:				
Owners of the parent	7,463	10,360	9,214	13,322
Non-controlling interests	741	1,459	661	1,293
	8,204	11,819	9,875	14,615
Earnings per share (sen)				
Basic	3.0	4.2	3.7	5.4
Diluted	3.0	4.2	3.7	5.4

(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 30 JUNE 2013
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual quarter		Cumulative quarter	
	Current year quarter 30/06/2013 RM'000	Preceding year corresponding quarter 30/06/2012 RM'000	Current year to date 30/06/2013 RM'000	Preceding year corresponding quarter 30/06/2012 RM'000
Profit for the period	8,204	11,819	9,875	14,615
<u>Other comprehensive income / (loss), net of tax</u>				
Currency translation difference	2,354	1,873	3,569	(390)
Share of associate's other comprehensive income	-	(19)	(19)	(142)
Total comprehensive income	10,558	13,673	13,425	14,083
Profits attributable to:				
Owners of the parent	8,874	11,470	11,397	12,932
Non-controlling interests	1,684	2,203	2,028	1,151
	10,558	13,673	13,425	14,083

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/06/2013 RM'000	As at 31/12/2012 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	84,829	88,955
Prepaid land lease payment	18,470	18,629
Intangibles assets	267	267
Investment in an associate	39,373	40,922
	142,939	148,773
Current assets		
Inventories	49,999	42,840
Trade and other receivables	126,223	102,473
Current tax assets	1,269	1,449
Derivative financial instruments	-	29
Short term funds	11,398	34,145
Cash, bank balances and deposits	89,790	96,400
	278,679	277,336
TOTAL ASSETS	421,618	426,109
EQUITY AND LIABILITIES		
Equity		
Share capital	123,679	123,005
Reserves	111,041	114,483
	234,720	237,488
Equity attributable to equity holders of the Company	234,720	237,488
Non-controlling interests	41,134	39,106
Total equity	275,854	276,594
Non-current liabilities		
Long term borrowings	-	7
Deferred tax liabilities	2,901	2,669
	2,901	2,676
Current liabilities		
Trade and other payables	141,547	145,640
Derivative financial instruments	69	-
Short term borrowings	67	87
Taxation	1,180	1,112
	142,863	146,839
Total liabilities	145,764	149,515
TOTAL EQUITY AND LIABILITIES	421,618	426,109
Net assets per share attributable to owners of the parent (RM)	0.95	0.97

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	30/06/2013 RM'000	30/06/2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	12,832	18,111
Adjustments for:		
Depreciation	6,017	5,282
Other non-cash items	<u>(1,591)</u>	<u>(3,685)</u>
Operating profit before working capital changes	17,258	19,708
Net changes in working capital	<u>(34,154)</u>	<u>(19,719)</u>
Cash used in operations	(16,896)	(11)
Other payments	(27)	(34)
Taxes paid	<u>(2,477)</u>	<u>(3,637)</u>
Net cash used in operating activities	(19,400)	(3,682)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	488	477
Purchase of property, plant and equipment	(1,369)	(1,704)
Dividend received from an associate	1,858	2,322
Short term funds	-	(4,037)
Proceeds from disposal of property, plant and equipment	<u>272</u>	<u>88</u>
Net cash from / (used in) investing activities	1,249	(2,854)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new shares	674	23
Repayment of borrowings	(25)	(23)
Dividend paid	<u>(14,839)</u>	<u>(9,840)</u>
Net cash used in financing activities	(14,190)	(9,840)
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(32,341)</u>	<u>(16,376)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD		
As previously reported	130,545	99,559
Effect of exchange rate changes	2,984	155
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>133,529</u>	<u>99,714</u>
	<u>101,188</u>	<u>83,338</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	-	-	-	2,202	(19)	9,214	11,397	2,028	13,425	
Issue of new shares arising from ESOS	674	-	-	-	-	-	674	-	674	
Dividend in respect of financial year 2012	-	-	-	-	-	(14,839)	(14,839)	-	(14,839)	
Balance as at 30 June 2013	123,679	994	1,259	4,652	230	103,906	234,720	41,134	275,854	
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)

FORMOSA PROSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 30 JUNE 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 1,347,900 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 6.0 sen per ordinary share of RM0.50 each for the financial year ended 31 December 2012 (31 December 2011 : 4.0 sen per ordinary share)	14,839	9,840

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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
6-month ended 30-6-2013					
Revenue					
External	175,110	77,292	9,547	-	261,949
Inter-segment sales	11,503	8,811	-	(20,314)	-
Total revenue	186,613	86,103	9,547	(20,314)	261,949
Results					
Segment results	13,491	904	(446)	(1,388)	12,561
Finance cost	(37)	(20)	-	-	(57)
Share of result in an associate	328	-	-	-	328
Profit before tax					12,832
Tax expense					(2,957)
Profit for the period					9,875
6-month ended 30-6-2012					
Revenue					
External	268,209	86,536	1,949	-	356,694
Inter-segment sales	23,012	9,858	-	(32,870)	-
Total revenue	291,221	96,394	1,949	(32,870)	356,694
Results					
Segment results	14,820	2,685	(592)	(539)	16,374
Finance cost	(68)	(27)	(4)	-	(99)
Share of result in an associate	1,836	-	-	-	1,836
Profit before tax					18,111
Tax expense					(3,496)
Profit for the period					14,615

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 30 JUNE 2013

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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 the 1H 2013, the Group's profit before tax was lower at RM12.8 million compared to RM18.1 million in the previous corresponding quarter mainly due to lower sales in the audio business.

14. Comparison with previous quarter's results

Sales increased by 49.5% to RM157.0 million in Q2 2013 from RM105.0 million in the immediately preceding quarter. This has resulted in higher profit before tax of RM10.1 million compared to RM2.8 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 30 JUNE 2013

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17. Notes to the statement of comprehensive income

	Individual		Cumulative	
	Current	Preceding	Current	Preceding
	Quarter	Year	Quarter	Year
	30/06/2013	30/06/2012	30/06/2013	30/06/2012
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging/(crediting):				
Income from short term funds	(63)	(63)	(174)	(188)
Interest income	(155)	(155)	(314)	(289)
Interest expenses	19	17	27	34
Depreciation and amortization	2,946	2,722	5,948	5,225
Foreign exchange gain	(628)	(1,375)	(802)	(1,591)
Derivatives (gain)/loss	69	541	98	(810)
Reversal of impairment loss on trade receivables	(343)	-	(818)	-
(Gain)/Loss on disposal of property, plant and equipment	(75)	(9)	(75)	30
Property, plant and equipment written off	42	45	46	47

18. Taxation

	Individual		Cumulative	
	Current	Preceding	Current	Preceding
	Quarter	Year	Quarter	Year
	30/06/2013	30/06/2012	30/06/2013	30/06/2012
	RM'000	RM'000	RM'000	RM'000
In respect of current period:-				
- Income tax	1,768	2,450	2,725	3,220
- Deferred tax	108	(409)	232	276
	1,876	2,041	2,957	3,496

The effective tax rate of the Group for the current quarter is lower than the statutory tax rate mainly due to certain non-taxable income and different tax rate in foreign jurisdiction.

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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>	30/06/2013	31/12/2012
	RM'000	RM'000
Repayable within twelve months:-		
Term loans – secured	67	87
Repayable after twelve months:-		
Term loans – secured	-	7
Total	<u>67</u>	<u>94</u>
GBP borrowings	<u>67</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 on 8 April 2013 paid 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 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 30 JUNE 2013

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23. Earnings per share

(a) Basic

	Individual		Cumulative	
	Current Quarter 30/06/2013	Preceding Year Quarter 30/06/2012	Current Quarter 30/06/2013	Preceding Year Quarter 30/06/2012
Net profit attributable to equity holders of the parent (RM'000)	7,463	10,360	9,214	13,322
Weighted average number of shares ('000)	247,338	246,010	246,830	245,994
Basic earnings per share (sen)	3.0	4.2	3.7	5.4

(b) Diluted

	Individual		Cumulative	
	Current Quarter 30/06/2013	Preceding Year Quarter 30/06/2012	Current Quarter 30/06/2013	Preceding Year Quarter 30/06/2012
Net profit attributable to equity holders of the parent (RM'000)	7,463	10,360	9,214	13,322
Weighted average number of shares ('000)	247,712	246,749	247,216	246,842
Diluted earnings per share (sen)	3.0	4.2	3.7	5.4

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2013

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24. Realised and Unrealised Profits

	As At End Of Current Quarter 30/06/2013 RM'000	As At End Of Preceding Quarter 31/03/2013 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	92,801	85,452
- Unrealised	(203)	(985)
	92,598	84,467
Total share of retained profits from an associate:		
- Realised	8,321	8,282
- Unrealised	(484)	(621)
	7,837	7,661
Consolidation adjustments	100,435	92,128
	3,471	4,315
Total Group retained profits	103,906	96,443