

FORMOSA PROSONIC

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

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual quarter		Cumulative quarter	
	Current year quarter 30/09/2013 RM'000	Preceding year corresponding quarter 30/09/2012 RM'000	Current year to date 30/09/2013 RM'000	Preceding year corresponding quarter 30/09/2012 RM'000
Revenue	175,895	227,380	437,845	584,074
Cost of sales	<u>(156,430)</u>	<u>(199,158)</u>	<u>(389,854)</u>	<u>(521,313)</u>
Gross profit	19,465	28,222	47,991	62,761
Other income	3,253	1,392	6,335	5,756
Distribution costs	(5,542)	(7,288)	(15,152)	(18,886)
Administrative expenses	(3,288)	(2,876)	(9,829)	(9,900)
Other expenses	<u>(2,161)</u>	<u>(5,206)</u>	<u>(5,056)</u>	<u>(9,113)</u>
Profit from operations	11,727	14,244	24,289	30,618
Finance costs	(28)	(38)	(85)	(137)
Share of (loss)/profit in an associate	(53)	836	275	2,672
Profit before tax	11,646	15,042	24,479	33,153
Tax expense	<u>(1,907)</u>	<u>(2,742)</u>	<u>(4,864)</u>	<u>(6,238)</u>
Profit for the period	<u>9,739</u>	<u>12,300</u>	<u>19,615</u>	<u>26,915</u>
Profits attributable to:				
Owners of the parent	8,642	11,267	17,857	24,589
Non-controlling interests	<u>1,097</u>	<u>1,033</u>	<u>1,758</u>	<u>2,326</u>
	<u>9,739</u>	<u>12,300</u>	<u>19,615</u>	<u>26,915</u>
Earnings per share (sen)				
Basic	<u>3.5</u>	<u>4.6</u>	<u>7.2</u>	<u>10.0</u>
Diluted	<u>NA</u>	<u>4.6</u>	<u>NA</u>	<u>10.0</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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INTERIM REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2013
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual quarter		Cumulative quarter	
	Current year quarter 30/09/2013 RM'000	Preceding year corresponding quarter 30/09/2012 RM'000	Current year to date 30/09/2013 RM'000	Preceding year corresponding quarter 30/09/2012 RM'000
Profit for the period	9,739	12,300	19,615	26,915
<u>Other comprehensive income / (loss), net of tax</u>				
Currency translation difference	2,504	(1,869)	6,074	(2,259)
Share of associate's other comprehensive income	(66)	(66)	(85)	(209)
Total comprehensive income	<u>12,177</u>	<u>10,365</u>	<u>25,604</u>	<u>24,447</u>
Profits attributable to:				
Owners of the parent	10,049	10,076	21,448	23,007
Non-controlling interests	2,128	289	4,156	1,440
	<u>12,177</u>	<u>10,365</u>	<u>25,604</u>	<u>24,447</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/09/2013 RM'000	As at 31/12/2012 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	82,962	88,955
Prepaid land lease payment	18,390	18,629
Intangibles assets	267	267
Investment in an associate	39,254	40,922
	140,873	148,773
Current assets		
Inventories	40,718	42,840
Trade and other receivables	147,198	102,473
Current tax assets	1,281	1,449
Derivative financial instruments	-	29
Short term funds	38,494	34,145
Cash, bank balances and deposits	73,994	96,400
	301,685	277,336
TOTAL ASSETS	442,558	426,109
EQUITY AND LIABILITIES		
Equity		
Share capital	123,679	123,005
Reserves	121,092	114,483
	244,771	237,488
Equity attributable to equity holders of the Company	244,771	237,488
Non-controlling interests	43,262	39,106
Total equity	288,033	276,594
Non-current liabilities		
Long term borrowings	-	7
Deferred tax liabilities	2,937	2,669
	2,937	2,676
Current liabilities		
Trade and other payables	149,500	145,640
Derivative financial instruments	194	-
Short term borrowings	55	87
Taxation	1,839	1,112
	151,588	146,839
Total liabilities	154,525	149,515
TOTAL EQUITY AND LIABILITIES	442,558	426,109
Net assets per share attributable to owners of the parent (RM)	0.99	0.97

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	30/09/2013 RM'000	30/09/2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	24,479	33,153
Adjustments for:		
Depreciation	9,088	8,105
Other non-cash items	(2,713)	(70)
	<u>30,854</u>	<u>41,188</u>
Operating profit before working capital changes	30,854	41,188
Net changes in working capital	(35,190)	(12,891)
	<u>(4,336)</u>	<u>28,297</u>
Cash (used in) / from operations	(4,336)	28,297
Other payments	(38)	(46)
Taxes paid	(3,700)	(5,990)
Net cash (used in) / from operating activities	(8,074)	22,261
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	729	779
Purchase of property, plant and equipment	(1,629)	(13,305)
Dividend received from an associate	1,858	2,322
Short term funds	2,080	(4,071)
Proceeds from disposal of property, plant and equipment	277	576
Net cash from / (used in) investing activities	3,315	(13,699)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new shares	674	23
Repayment of borrowings	(45)	(42)
Dividend paid	(14,839)	(9,840)
Net cash used in financing activities	(14,210)	(9,859)
	<u>(18,969)</u>	<u>(1,297)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(18,969)	(1,297)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD		
As previously reported	126,442	99,559
Effect of exchange rate changes	2,992	(1,054)
	<u>129,434</u>	<u>98,505</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	110,465	97,208

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Non-distributable				Distributable			Total equity	
	Share capital	Share premium	Capital reserve	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	
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	-	-	-	3,676	(85)	17,857	21,448	4,156	25,604
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 September 2013	123,679	994	1,259	6,126	164	112,549	244,771	43,262	288,033
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 30 SEPTEMBER 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 SEPTEMBER 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)	<u>14,839</u>	<u>9,840</u>

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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
9-month ended 30-9-2013					
Revenue					
External	288,974	135,508	13,363	-	437,845
Inter-segment sales	17,956	13,307	-	(31,263)	-
Total revenue	306,930	148,815	13,363	(31,263)	437,845
Results					
Segment results	22,451	3,425	(108)	(1,479)	24,289
Finance cost	(53)	(31)	(1)	-	(85)
Share of result in an associate	275	-	-	-	275
Profit before tax					24,479
Tax expense					(4,864)
Profit for the period					19,615
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	469,665	167,532	3,708	(56,831)	584,074
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					33,153
Tax expense					(6,238)
Profit for the period					26,915

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 SEPTEMBER 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 the 9-month quarter ended 30 September 2013, the Group's profit before tax was lower at RM24.5 million compared to RM33.1 million in the previous corresponding quarter mainly due to lower sales.

14. Comparison with previous quarter's results

Sales increased by 12% to RM175.9 million in Q3 2013 from RM157.0 million in the immediately preceding quarter. This has resulted in higher profit before tax of RM11.6 million compared to RM10.1 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 SEPTEMBER 2013

The figures have not been audited

17. Notes to the statement of comprehensive income

	Individual		Cumulative	
	Current Quarter 30/09/2013 RM'000	Preceding Year Quarter 30/09/2012 RM'000	Current Quarter 30/09/2013 RM'000	Preceding Year Quarter 30/09/2012 RM'000
Profit for the period is arrived at after charging/(crediting):				
Income from short term funds	(54)	(154)	(228)	(343)
Interest income	(187)	(147)	(501)	(437)
Interest expenses	11	12	38	46
Depreciation and amortization	2,985	2,890	8,932	8,115
Foreign exchange gain	(2,079)	37	(2,880)	(1,554)
Derivatives (gain)/loss	125	(517)	223	(1,327)
Reversal of impairment loss on trade receivables	(599)	-	(1,417)	-
(Gain)/Loss on disposal of property, plant and equipment	(5)	(44)	(80)	(14)
Property, plant and equipment written off	6	55	52	102
Inventory written down	1,811	1,413	1,811	1,413
Impairment loss on receivables	21	3,353	21	3,353

18. Taxation

	Individual		Cumulative	
	Current Quarter 30/09/2013 RM'000	Preceding Year Quarter 30/09/2012 RM'000	Current Quarter 30/09/2013 RM'000	Preceding Year Quarter 30/09/2012 RM'000
In respect of current period:-				
- Income tax	1,973	2,589	4,698	5,808
- Deferred tax	36	428	268	705
In respect of prior year:-				
- Income tax	(102)	(275)	(102)	(275)
	1,907	2,742	4,864	6,238

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

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

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>	30/09/2013 RM'000	31/12/2012 RM'000
Repayable within twelve months:-		
Term loans – secured	55	87
Repayable after twelve months:-		
Term loans – secured	-	7
Total	<u>55</u>	<u>94</u>
GBP borrowings	<u>55</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 SEPTEMBER 2013

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23. Earnings per share

(a) Basic

	Individual		Cumulative	
	Current Quarter 30/09/2013	Preceding Year Quarter 30/09/2012	Current Quarter 30/09/2013	Preceding Year Quarter 30/09/2012
Net profit attributable to equity holders of the parent (RM'000)	8,642	11,267	17,857	24,589
Weighted average number of shares ('000)	247,358	246,010	247,008	246,000
Basic earnings per share (sen)	3.5	4.6	7.2	10.0

(b) Diluted

	Individual		Cumulative	
	Current Quarter 30/09/2013	Preceding Year Quarter 30/09/2012	Current Quarter 30/09/2013	Preceding Year Quarter 30/09/2012
Net profit attributable to equity holders of the parent (RM'000)	8,642	11,267	17,857	24,589
Weighted average number of shares ('000)	-	246,823	-	246,812
Diluted earnings per share (sen)	NA	4.6	NA	10.0

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24. Realised and Unrealised Profits

	As At End Of Current Quarter 30/09/2013 RM'000	As At End Of Preceding Quarter 30/06/2013 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	103,303	92,801
- Unrealised	(874)	(203)
	102,429	92,598
Total share of retained profits from an associate:		
- Realised	8,308	8,321
- Unrealised	(589)	(484)
	7,719	7,837
	110,148	100,435
Consolidation adjustments	2,400	3,471
Total Group retained profits	112,548	103,906