

FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
 INTERIM REPORT FOR THE YEAR ENDED 31 DECEMBER 2013
 (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
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000
Revenue	118,147	150,400	555,992	734,473
Cost of sales	(103,523)	(135,637)	(493,377)	(656,949)
Gross profit	14,624	14,763	62,615	77,524
Other income	1,394	479	7,729	6,235
Distribution costs	(5,925)	(5,788)	(21,078)	(24,674)
Administrative expenses	(4,401)	(4,165)	(14,230)	(14,065)
Other expenses	(1,274)	(1,861)	(6,329)	(10,974)
Profit from operations	4,418	3,428	28,707	34,046
Finance costs	(50)	(70)	(135)	(207)
Share of profit in an associate	116	48	391	2,720
Profit before tax	4,484	3,406	28,963	36,559
Tax expense	(234)	(938)	(5,098)	(7,176)
Profit for the year	4,250	2,468	23,865	29,383
Profits attributable to:				
Owners of the parent	3,974	2,511	21,831	27,100
Non-controlling interests	276	(43)	2,034	2,283
	4,250	2,468	23,865	29,383
Earnings per share (sen)				
Basic	1.6	1.0	8.8	11.0
Diluted	NA	1.0	NA	11.0

(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 31/12/2013 RM'000	Preceding year corresponding quarter 31/12/2012 RM'000	Current year to date 31/12/2013 RM'000	Preceding year corresponding quarter 31/12/2012 RM'000
Profit for the year	4,250	2,468	23,865	29,383
<u>Other comprehensive income / (loss), net of tax</u>				
Currency translation difference	1,240	507	7,314	(1,752)
Share of associate's other comprehensive income	171	190	85	(19)
Total comprehensive income	<u>5,661</u>	<u>3,165</u>	<u>31,264</u>	<u>27,612</u>
Profits attributable to:				
Owners of the parent	4,880	2,973	26,327	25,980
Non-controlling interests	781	192	4,937	1,632
	<u>5,661</u>	<u>3,165</u>	<u>31,264</u>	<u>27,612</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31/12/2013 RM'000	As at 31/12/2012 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	81,314	88,955
Prepaid land lease payment	18,310	18,629
Intangibles assets	266	267
Investment in an associate	39,541	40,922
	139,431	148,773
Current assets		
Inventories	37,411	42,840
Trade and other receivables	88,261	102,473
Current tax assets	576	1,449
Derivative financial instruments	-	29
Short term funds	52,499	34,145
Cash, bank balances and deposits	85,390	96,400
	264,137	277,336
TOTAL ASSETS	403,568	426,109
EQUITY AND LIABILITIES		
Equity		
Share capital	123,679	123,005
Reserves	125,971	114,483
	249,650	237,488
Equity attributable to equity holders of the Company	249,650	237,488
Non-controlling interests	44,043	39,106
Total equity	293,693	276,594
Non-current liabilities		
Long term borrowings	-	7
Deferred tax liabilities	2,518	2,669
	2,518	2,676
Current liabilities		
Trade and other payables	106,433	145,640
Derivative financial instruments	67	-
Short term borrowings	50	87
Taxation	807	1,112
	107,357	146,839
Total liabilities	109,875	149,515
TOTAL EQUITY AND LIABILITIES	403,568	426,109
Net assets per share attributable to owners of the parent (RM)	1.01	0.97

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	31/12/2013	31/12/2012
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	28,963	36,559
Adjustments for:		
Depreciation	12,140	11,149
Other non-cash items	(4,001)	33
	<u>37,102</u>	<u>47,741</u>
Operating profit before working capital changes	37,102	47,741
Net changes in working capital	(16,000)	15,896
	<u>21,102</u>	<u>63,637</u>
Cash from operations	21,102	63,637
Other payments	(47)	(57)
Taxes paid	(4,680)	(8,727)
Net cash from operating activities	<u>16,375</u>	<u>54,853</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary (net of cash balance)	-	(3,213)
Interest received	1,076	1,060
Purchase of property, plant and equipment	(2,332)	(14,096)
Dividend received from an associate	1,858	2,322
Short term funds	2,080	(4,104)
Proceeds from disposal of property, plant and equipment	308	464
Net cash from / (used in) investing activities	<u>2,990</u>	<u>(17,567)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new shares	674	23
Repayment of borrowings	(52)	(62)
Dividend paid	(14,839)	(9,840)
Net cash used in financing activities	<u>(14,217)</u>	<u>(9,879)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>5,148</u>	<u>27,407</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		
As previously reported	126,443	99,559
Effect of exchange rate changes	4,275	(523)
	<u>130,718</u>	<u>99,036</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	<u>135,866</u>	<u>126,443</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				
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	-	-	-	4,411	85	21,831	26,327	4,937	31,264	
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 31 December 2013	123,679	994	1,259	6,861	334	116,523	249,650	44,043	293,693	
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 DECEMBER 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 DECEMBER 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 31 DECEMBER 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
12-month ended 31-12-2013					
Revenue					
External	360,849	178,244	16,899	-	555,992
Inter-segment sales	23,343	15,807	-	(39,150)	-
Total revenue	384,192	194,051	16,899	(39,150)	555,992
Results					
Segment results	25,835	3,719	430	(1,277)	28,707
Finance cost	(65)	(41)	(29)	-	(135)
Share of result in an associate	391	-	-	-	391
Profit before tax					28,963
Tax expense					(5,098)
Profit for the year					23,865
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	583,451	215,953	6,236	(71,167)	734,473
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					36,559
Tax expense					(7,176)
Profit for the year					29,383

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 DECEMBER 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 year ended 31 December 2013, the Group's profit before tax was lower at RM29.0 million compared to RM36.6 million in the previous corresponding quarter mainly due to lower sales.

14. Comparison with previous quarter's results

Sales decreased by 33% to RM118.1 million in Q4 2013 from RM175.9 million in the immediately preceding quarter. This has resulted in lower profit before tax of RM4.5 million compared to RM11.6 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 2014 to remain challenging given the intensifying competition and uncertain macro-economic outlook in the emerging markets.

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 2013

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17. Notes to the statement of comprehensive income

	Individual		Cumulative	
	Current	Preceding Year	Current	Preceding Year
	Quarter	Quarter	Quarter	Quarter
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging / (crediting):				
Income from short term funds	(147)	(128)	(376)	(470)
Interest income	(199)	(153)	(701)	(590)
Interest expenses	9	12	47	57
Depreciation and amortization	2,964	3,052	11,897	11,149
Foreign exchange (gain) / loss	(423)	177	(3,303)	(1,377)
Derivatives (gain) / loss	(127)	27	96	(1,300)
Reversal of impairment loss on trade receivables	(936)	-	(2,354)	-
(Gain) / loss on disposal of property, and equipment	(27)	118	(107)	104
Property, plant and equipment written off	1	-	53	102
Inventory written down / off	55	384	1,866	2,040
Bad debts written off	-	-	-	136
Impairment loss on receivables	256	-	276	3,217

18. Taxation

	Individual		Cumulative	
	Current	Preceding Year	Current	Preceding Year
	Quarter	Quarter	Quarter	Quarter
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000
In respect of current period:-				
- Income tax	653	1,507	5,351	7,315
- Deferred tax	(518)	(1,533)	(250)	(828)
In respect of prior year:-				
- Income tax	-	(16)	(102)	(291)
- Deferred tax	99	980	99	980
	234	938	5,098	7,176

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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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>	31/12/2013 RM'000	31/12/2012 RM'000
Repayable within twelve months:-		
Term loans – secured	50	87
Repayable after twelve months:-		
Term loans – secured	-	7
Total	50	94
GBP borrowings	50	94

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 2013 (31 December 2012: 6.0 sen).

The dividend will be payable on 8 April 2014 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 25 March 2014.

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23. Earnings per share

(a) Basic

	Individual		Cumulative	
	Current	Preceding Year	Current	Preceding Year
	Quarter 31/12/2013	Quarter 31/12/2012	Quarter 31/12/2013	Quarter 31/12/2012
Net profit attributable to equity holders of the parent (RM'000)	3,974	2,511	21,831	27,100
Weighted average number of shares ('000)	247,358	246,010	247,096	246,002
Basic earnings per share (sen)	1.6	1.0	8.8	11.0

(b) Diluted

	Individual		Cumulative	
	Current	Preceding Year	Current	Preceding Year
	Quarter 31/12/2013	Quarter 31/12/2012	Quarter 31/12/2013	Quarter 31/12/2012
Net profit attributable to equity holders of the parent (RM'000)	3,974	2,511	21,831	27,100
Weighted average number of shares ('000)	-	246,757	-	246,694
Diluted earnings per share (sen)	NA	1.0	NA	11.0

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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 30/09/2013 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	111,048	103,303
- Unrealised	(170)	(874)
	110,878	102,429
Total share of retained profits from an associate:		
- Realised	8,635	8,308
- Unrealised	(630)	(589)
	8,005	7,719
	118,883	110,148
Consolidation adjustments	(2,360)	2,401
Total Group retained profits	116,523	112,549