

FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
 INTERIM REPORT FOR THE YEAR ENDED 31 MARCH 2014
 (The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual quarter		Cumulative quarter	
	Current year quarter 31/03/2014 RM'000	Preceding year corresponding quarter 31/03/2013 RM'000	Current year to date 31/03/2014 RM'000	Preceding year corresponding quarter 31/03/2013 RM'000
Revenue	98,373	104,971	98,373	104,971
Cost of sales	<u>(89,470)</u>	<u>(94,772)</u>	<u>(89,470)</u>	<u>(94,772)</u>
Gross profit	8,903	10,199	8,903	10,199
Other income	2,480	1,533	2,480	1,533
Distribution costs	(4,521)	(4,530)	(4,521)	(4,530)
Administrative expenses	(2,769)	(3,255)	(2,769)	(3,255)
Other expenses	<u>(2,501)</u>	<u>(1,324)</u>	<u>(2,501)</u>	<u>(1,324)</u>
Profit from operations	1,592	2,623	1,592	2,623
Finance costs	(32)	(21)	(32)	(21)
Share of profit in an associate	<u>312</u>	150	<u>312</u>	150
Profit before tax	1,872	2,752	1,872	2,752
Tax expense	<u>(618)</u>	<u>(1,081)</u>	<u>(618)</u>	<u>(1,081)</u>
Profit for the period	<u>1,254</u>	<u>1,671</u>	<u>1,254</u>	<u>1,671</u>
Profits attributable to:				
Owners of the parent	1,063	1,751	1,063	1,751
Non-controlling interests	<u>191</u>	<u>(80)</u>	<u>191</u>	<u>(80)</u>
	<u>1,254</u>	<u>1,671</u>	<u>1,254</u>	<u>1,671</u>
Earnings per share (sen)				
Basic	<u>0.4</u>	<u>0.7</u>	<u>0.4</u>	<u>0.7</u>
Diluted	<u>NA</u>	<u>0.7</u>	<u>NA</u>	<u>0.7</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.)

FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
 INTERIM REPORT FOR THE YEAR ENDED 31 MARCH 2014
 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual quarter		Cumulative quarter	
	Current year quarter 31/03/2014 RM'000	Preceding year corresponding quarter 31/03/2013 RM'000	Current year to date 31/03/2014 RM'000	Preceding year corresponding quarter 31/03/2013 RM'000
Profit for the year	1,254	1,671	1,254	1,671
<u>Other comprehensive income / (loss), net of tax</u>				
Currency translation difference	(2,404)	1,215	(2,404)	1,215
Share of associate's other comprehensive (loss) / income	(334)	(19)	(334)	(19)
	<u>(1,484)</u>	<u>2,867</u>	<u>(1,484)</u>	<u>2,867</u>
Total comprehensive (loss) / income				
Attributable to:				
Owners of the parent	(730)	2,523	(730)	2,523
Non-controlling interests	(754)	344	(754)	344
	<u>(1,484)</u>	<u>2,867</u>	<u>(1,484)</u>	<u>2,867</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.)

FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
 INTERIM REPORT FOR THE YEAR ENDED 31 MARCH 2014
 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31/03/2014 RM'000	As at 31/12/2013 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	78,709	81,314
Prepaid land lease payment	18,230	18,310
Intangibles assets	267	266
Investment in an associate	39,518	39,541
	136,724	139,431
Current assets		
Inventories	37,618	37,411
Trade and other receivables	92,611	89,758
Current tax assets	596	596
Derivative financial instruments	4	-
Short term funds	44,646	52,499
Cash, bank balances and deposits	79,090	85,390
	254,565	265,654
TOTAL ASSETS	391,289	405,085
EQUITY AND LIABILITIES		
Equity		
Share capital	123,679	123,679
Reserves	110,393	125,964
	234,072	249,643
Equity attributable to equity holders of the Company	234,072	249,643
Non-controlling interests	41,508	44,049
Total equity	275,580	293,692
Non-current liabilities		
Long term borrowings	-	-
Deferred tax liabilities	2,256	2,518
	2,256	2,518
Current liabilities		
Trade and other payables	98,157	107,930
Derivative financial instruments	-	67
Short term borrowings	19	50
Taxation	436	828
Dividend Payable	14,841	-
	113,453	108,875
Total liabilities	115,709	111,393
TOTAL EQUITY AND LIABILITIES	391,289	405,085
Net assets per share attributable to owners of the parent (RM)	0.95	1.01

(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

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
INTERIM REPORT FOR THE YEAR ENDED 31 MARCH 2014

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	31/03/2014 RM'000	31/03/2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,872	2,752
Adjustments for non-cash items	267	2,440
Operating profit before working capital changes	<u>2,139</u>	<u>5,192</u>
Net changes in working capital	<u>(12,279)</u>	<u>(25,530)</u>
Cash from operations	(10,140)	(20,338)
Other payments	(14)	(8)
Taxes paid	<u>(1,272)</u>	<u>(1,664)</u>
Net cash used in operating activities	(11,426)	(22,010)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of shares from a minority shareholder in a subsidiary	(1,656)	-
Interest received	420	270
Purchase of property, plant and equipment	(940)	(692)
Dividend received from an associate	-	1,858
Short term funds	(427)	(4,104)
Proceeds from disposal of property, plant and equipment	<u>187</u>	<u>197</u>
Net cash used in investing activities	(2,416)	(2,471)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new shares	-	655
Repayment of borrowings	<u>(31)</u>	<u>(6)</u>
Net cash (used in) / from financing activities	(31)	649
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(13,873)</u>	<u>(23,832)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD		
As previously reported	<u>130,771</u>	<u>130,545</u>
Effect of exchange rate changes	<u>(705)</u>	<u>885</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u><u>130,066</u></u>	<u><u>131,430</u></u>
	<u><u>116,193</u></u>	<u><u>107,598</u></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.)

FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
INTERIM REPORT FOR THE YEAR ENDED 31 MARCH 2014
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RM'000	Share premium RM'000	Non-distributable				Distributable			Equity attributable to equity holders of the parent RM'000	Non-controlling interests RM'000	Total equity 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 2014	123,679	994	1,259	6,863	334	116,514	249,643	44,049	293,692			
Total comprehensive income	-	-	-	(1,459)	(334)	1,063	(730)	(754)	(1,484)			
Acquisition of shares in a subsidiary from NCI	-	-	-	-	-	-	-	(1,787)	(1,787)			
Dividend in respect of financial year 2013	-	-	-	-	-	(14,841)	(14,841)	-	(14,841)			
Balance as at 31 March 2014	123,679	994	1,259	5,404	-	102,736	234,072	41,508	275,580			
Balance as at 1 January 2013	123,005	994	1,259	2,451	249	109,529	237,487	39,106	276,593			
Total comprehensive income	-	-	-	791	(19)	1,751	2,523	344	2,867			
Issue of new shares arising from ESOS	655	-	-	-	-	-	655	-	655			
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	96,441	225,826	39,450	265,276			

(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 PRSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2014

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 2013.

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 2013, except for the adoption of the following:

MFRSs/ Amendments/Interpretations	Effective date
Amendments to MFRS 10, <i>Consolidated Financial Statements: Investment Entities</i>	1 January 2014
Amendments to MFRS 12, <i>Disclosure of Interests in Other Entities: Investment Entities</i>	1 January 2014
Amendments to MFRS 127, <i>Separate Financial Statements (2011): Investment Entities</i>	1 January 2014
Amendments to MFRS 132, <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 136, <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139, <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
IC Interpretation 21, <i>Levies</i>	1 January 2014

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.

FORMOSA PROSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2014

The figures have not been audited

2. Audit qualification

The audit report on the financial statements for the financial year ended 31 December 2013 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.

7. Dividend paid

	Current year to date RM'000	Preceding year to date RM'000
There were no dividends paid	-	-

FORMOSA PRSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2014

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 31-3-2014					
Revenue					
External	59,943	37,071	1,359	-	98,373
Inter-segment sales	3,878	1,666	-	(5,544)	-
Total revenue	<u>63,821</u>	<u>38,737</u>	<u>1,359</u>	<u>(5,544)</u>	<u>98,373</u>
Results					
Segment results	781	639	(304)	476	1,592
Finance cost	(24)	(8)	-	-	(32)
Share of result in an associate	312	-	-	-	312
Profit before tax					<u>1,872</u>
Tax expense					<u>(618)</u>
Profit for the period					<u>1,254</u>
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	<u>74,100</u>	<u>35,068</u>	<u>3,965</u>	<u>(8,162)</u>	<u>104,971</u>
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					<u>2,752</u>
Tax expense					<u>(1,081)</u>
Profit for the period					<u>1,671</u>

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.

FORMOSA PROSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2014

The figures have not been audited

10. Subsequent event

The Board of Directors of the Company announced that it had on 9 April 2014 entered into a Share Sale Agreement ("SSA") with Datasonic Group Berhad ("the Purchaser") for the disposal of 24,861,790 ordinary shares of RM1.00 each representing 99.45% of the equity interest in Asia Pacific Card & System Sdn Bhd together with its wholly-owned subsidiary, Constant Ahead Sdn Bhd for a total cash consideration of RM21,878,375.20 ("Purchase Consideration").

The Purchase Consideration shall be fully satisfied in the following manner:-

- (i) Upon the execution of the SSA, the Purchaser had paid the Company a 10% deposit equivalent to RM2,187,837.52 ("Deposit Sum"); and
- (ii) Upon the fulfilment of the Conditions Precedent, the Purchaser shall pay to the Company the 90% of the balance Purchase Consideration amounting to RM19,690,537.68.

The proposed disposal is expected to be completed in the third quarter of 2014.

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 2 January 2014, the Company increased its shareholding in Asia Pacific Card and System Sdn Bhd from 89.25% to 99.45%.

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 period ended 31 March 2014, the Group's profit before tax was lower at RM1.9 million compared to RM2.8 million in the previous corresponding quarter mainly due to lower sales.

14. Comparison with previous quarter's results

Sales decreased by 17% to RM98.3 million in Q1 2014 from RM118.1 million in the immediately preceding quarter. This has resulted in lower profit before tax of RM1.9 million compared to RM4.5 million in the immediate preceding quarter.

FORMOSA PROSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2014

The figures have not been audited

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.

17. Notes to the statement of comprehensive income

	Individual		Cumulative	
	Current	Preceding	Current	Preceding
	Quarter	Year	Quarter	Year
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging / (crediting):				
Income from short term funds	(216)	(112)	(216)	(112)
Interest income	(204)	(158)	(204)	(158)
Interest expenses	14	8	14	8
Depreciation and amortization	3,058	3,002	3,058	3,002
Foreign exchange (gain) / loss	(946)	(174)	(946)	(174)
Derivatives (gain) / loss	(71)	29	(71)	29
Reversal of impairment loss on trade receivables	-	(475)	-	(475)
(Gain) / loss on disposal of property, and equipment	26	-	26	-
Property, plant and equipment written off	1	4	1	4

FORMOSA PROSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2014

The figures have not been audited

18. Taxation

	Individual		Cumulative	
	Current Quarter 31/3/2014 RM'000	Preceding Year Quarter 31/3/2013 RM'000	Current Quarter 31/3/2014 RM'000	Preceding Year Quarter 31/3/2013 RM'000
In respect of current period:-				
- Income tax	879	957	879	957
- Deferred tax	(261)	124	(261)	124
	618	1,081	618	1,081

The effective tax rates of the Group for the current quarter approximate the statutory tax rate.

19. Corporate proposals

There was no corporate proposal announced which remained incomplete as at the date of issue of the interim report except for as disclosed in Note 10.

20. Group borrowings (interest bearing) and debt securities

<u>As at end of the period</u>	31/3/2014 RM'000	31/12/2013 RM'000
Repayable within twelve months:-		
Term loans – secured	19	50
Repayable after twelve months:-		
Term loans – secured	-	-
Total	19	50
GBP borrowings	19	50

21. Material litigation

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

FORMOSA PROSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2014

The figures have not been audited

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 was paid 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.

23. Earnings per share

(a) Basic

	Individual		Cumulative	
	Current Quarter 31/3/2014	Preceding Year Quarter 31/3/2013	Current Quarter 31/3/2014	Preceding Year Quarter 31/3/2013
Net profit attributable to equity holders of the parent (RM'000)	1,063	1,751	1,063	1,751
Weighted average number of shares ('000)	247,358	246,316	247,358	246,316
Basic earnings per share (sen)	0.4	0.7	0.4	0.7

(b) Diluted

	Individual		Cumulative	
	Current Quarter 31/3/2014	Preceding Year Quarter 31/3/2013	Current Quarter 31/3/2014	Preceding Year Quarter 31/3/2013
Net profit attributable to equity holders of the parent (RM'000)	-	1,751	-	1,751
Weighted average number of shares ('000)	-	246,714	-	246,714
Diluted earnings per share (sen)	NA	0.7	NA	0.7

FORMOSA PROSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2014

The figures have not been audited

24. Realised and Unrealised Profits

	As At End Of Current Quarter 31/03/2014 RM'000	As At End Of Preceding Quarter 31/12/2013 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	95,628	110,917
- Unrealised	1,055	(169)
	96,683	110,748
Total share of retained profits from an associate:		
- Realised	8,501	8,617
- Unrealised	(405)	(612)
	8,096	8,005
Consolidation adjustments	104,779 (2,043)	118,753 (2,239)
Total Group retained profits	102,736	116,514