

FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)

INTERIM REPORT FOR THE YEAR ENDED 30 JUNE 2014

(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual quarter		Cumulative quarter	
	Current year quarter 30/06/2014 RM'000	Preceding year corresponding quarter 30/06/2013 RM'000	Current year to date 30/06/2014 RM'000	Preceding year corresponding quarter 30/06/2013 RM'000
Revenue	123,393	152,841	220,395	254,896
Cost of sales	<u>(111,032)</u>	<u>(136,806)</u>	<u>(198,891)</u>	<u>(229,838)</u>
Gross profit	12,361	16,035	21,504	25,058
Other income	950	1,538	3,428	3,049
Distribution costs	<u>(5,088)</u>	<u>(5,015)</u>	<u>(9,560)</u>	<u>(9,521)</u>
Administrative expenses	<u>(3,744)</u>	<u>(3,146)</u>	<u>(6,412)</u>	<u>(6,329)</u>
Other expenses	<u>(930)</u>	<u>(1,488)</u>	<u>(3,345)</u>	<u>(2,682)</u>
Profit from operations	3,549	7,924	5,615	9,575
Finance costs	<u>(29)</u>	<u>(36)</u>	<u>(60)</u>	<u>(57)</u>
Share of profit in an associate	<u>59</u>	<u>178</u>	<u>370</u>	<u>328</u>
Profit before tax from continuing operations	3,579	8,066	5,925	9,846
Tax expense	<u>(400)</u>	<u>(1,876)</u>	<u>(1,018)</u>	<u>(2,957)</u>
Profit for the period from continuing operations	3,179	6,190	4,907	6,889
Discontinued operations				
Profit for the period from discontinued operations	<u>664</u>	<u>2,014</u>	<u>189</u>	<u>2,986</u>
Profit for the period	<u>3,843</u>	<u>8,204</u>	<u>5,096</u>	<u>9,875</u>
Profits attributable to:				
Owners of the parent	<u>2,991</u>	<u>7,463</u>	<u>4,053</u>	<u>9,214</u>
Non-controlling interests	<u>852</u>	<u>741</u>	<u>1,043</u>	<u>661</u>
	<u>3,843</u>	<u>8,204</u>	<u>5,096</u>	<u>9,875</u>
Earnings per share (sen)				
Basic	<u>1.2</u>	<u>3.0</u>	<u>1.6</u>	<u>3.7</u>
Diluted	<u>NA</u>	<u>3.0</u>	<u>NA</u>	<u>3.7</u>

(The notes set out on pages 6 to 15 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 30/06/2014 RM'000	Preceding year corresponding quarter 30/06/2013 RM'000	Current year to date 30/06/2014 RM'000	Preceding year corresponding quarter 30/06/2013 RM'000
Profit for the period	3,843	8,204	5,096	9,875
<u>Other comprehensive income / (loss), net of tax</u>				
Currency translation difference	(1,329)	2,354	(3,733)	3,569
Share of associate's other comprehensive (loss) / income	-	-	(334)	(19)
Total comprehensive income	<u>2,514</u>	<u>10,558</u>	<u>1,029</u>	<u>13,425</u>
Attributable to:				
Owners of the parent	2,151	8,874	1,420	11,397
Non-controlling interests	363	1,684	(391)	2,028
	<u>2,514</u>	<u>10,558</u>	<u>1,029</u>	<u>13,425</u>

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INTERIM REPORT FOR THE YEAR ENDED 30 JUNE 2014

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/06/2014 RM'000	As at 31/12/2013 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	74,890	80,061
Prepaid land lease payment	18,151	18,310
Intangibles assets	266	266
Investment in an associate	30,288	39,541
	123,595	138,178
Current assets		
Inventories	42,087	34,762
Trade and other receivables	111,103	87,291
Current tax assets	596	596
Short term funds	26,852	52,499
Cash, bank balances and deposits	75,726	72,219
Assets of disposal group classified as held for sale	19,282	19,540
	275,646	266,907
TOTAL ASSETS	399,241	405,085
EQUITY AND LIABILITIES		
Equity		
Share capital	123,679	123,679
Reserves	112,543	125,964
	236,222	249,643
Equity attributable to equity holders of the Company	236,222	249,643
Non-controlling interests	41,804	44,049
Total equity	278,026	293,692
Non-current liabilities		
Long term borrowings	-	-
Deferred tax liabilities	2,025	2,518
	2,025	2,518
Current liabilities		
Trade and other payables	118,099	106,386
Derivative financial instruments	-	67
Short term borrowings	-	50
Taxation	(7)	827
Liabilities of disposal group classified as held for sale	1,098	1,545
	119,190	108,875
Total liabilities	121,215	111,393
TOTAL EQUITY AND LIABILITIES	399,241	405,085
 Net assets per share attributable to owners of the parent (RM)	 0.95	 1.01

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	30/06/2014 RM'000	30/06/2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax		
- continuing operations	5,925	9,846
- discontinued operations	189	2,986
Adjustments for non-cash items	3,060	4,426
Operating profit before working capital changes	9,174	17,258
Net changes in working capital	(19,373)	(34,154)
Cash used in operations	(10,199)	(16,896)
Other payments	(27)	(27)
Taxes paid	(2,346)	(2,477)
Net cash used in operating activities	(12,572)	(19,400)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of shares from NCI of a subsidiary	(1,657)	-
Interest received	780	488
Purchase of property, plant and equipment	(2,188)	(1,369)
Dividend received from an associate	9,288	1,858
Short term funds	(5,534)	-
Proceeds from disposal of property, plant and equipment	521	272
Net cash from investing activities	1,210	1,249
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new shares	-	674
Repayment of borrowings	(51)	(25)
Dividend paid	(14,841)	(14,839)
Net cash used in financing activities	(14,892)	(14,190)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(26,254)	(32,341)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD		
As previously reported	130,771	130,545
Effect of exchange rate changes	(2,255)	2,984
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	128,516	133,529
	102,262	101,188

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 INTERIM REPORT FOR THE YEAR ENDED 30 JUNE 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	-	-	-	(2,299)	(334)	4,053	1,420	(391)	1,029		
Acquisition of shares in a subsidiary from NCI	-	-	-	-	-	-	-	(1,854)	(1,854)		
Dividend in respect of financial year 2013	-	-	-	-	-	(14,841)	(14,841)	-	(14,841)		
Balance as at 30 June 2014	123,679	994	1,259	4,564	-	105,726	236,222	41,804	278,026		
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	-	-	-	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	4,653	230	103,904	234,719	41,134	275,853		

(The notes set out on pages 6 to 15 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 JUNE 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.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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
First interim single tier of 6.0 sen per ordinary share of RM0.50 each for the financial year ended 31 December 2013 (31 December 2012 : 6.0 sen per ordinary share)	14,841	14,839

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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
6-month ended 30-6-2014					
Revenue					
External	135,062	87,867	2,062	-	224,991
Inter-segment sales	9,217	4,130	-	(13,347)	-
Total revenue	144,279	91,997	2,062	(13,347)	224,991
Results					
Segment results	12,535	2,550	(373)	(8,906)	5,806
Finance cost	(43)	(19)	-	-	(62)
Share of result in an associate	370	-	-	-	370
Profit before tax					6,114
Tax expense					(1,018)
Profit for the period					5,096
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

The results of the discontinued operation included in the Malaysia segment are disclosed in Note 18 to the interim report.

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 2014

The figures have not been audited

10. Subsequent event

There were no material events subsequent to 30 June 2014 that have not been reflected in the interim 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 except for:

- (a) On 2 January 2014, the Company increased its shareholding in Asia Pacific Card and System Sdn Bhd from 89.25% to 99.45%.
- (b) The Board of Directors 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 has been completed on 16 July 2014.

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 30 June 2014, the Group's profit before tax was lower at RM5.9 million compared to RM9.8 million in the previous corresponding quarter mainly due to lower sales.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2014

The figures have not been audited

14. Comparison with previous quarter's results

Sales increased by 27% to RM123.4 million in Q2 2014 from RM97.0 million in the immediately preceding quarter. This has resulted in higher profit before tax of RM3.6 million compared to RM2.3 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.

17. Profit before tax from continuing operations

	Individual		Cumulative	
	Current Quarter 30/6/2014 RM'000	Preceding Year Quarter 30/6/2013 RM'000	Current Quarter 30/6/2014 RM'000	Preceding Year Quarter 30/6/2013 RM'000
Profit for the period is arrived at after charging / (crediting):				
Income from short term funds	(95)	(63)	(311)	(174)
Interest income	(260)	(155)	(465)	(314)
Interest expenses	12	19	27	27
Depreciation and amortization	2,927	2,946	5,894	5,948
Foreign exchange gain	(347)	(628)	(1,309)	(802)
Derivatives loss / (gain)	4	69	(67)	98
Reversal of impairment loss on trade receivables	(437)	(343)	(437)	(818)
(Gain) / loss on disposal of property, plant and equipment	(230)	(75)	(203)	(75)
PPE written off	1	42	1	46

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2014

The figures have not been audited

18. Discontinued operations classified as held for sale

(i) An analysis of the results of the discontinued operations are as follows :

	Individual		Cumulative	
	Current Quarter 30/6/2014 RM'000	Preceding Year Quarter 30/6/2013 RM'000	Current Quarter 30/6/2014 RM'000	Preceding Year Quarter 30/6/2013 RM'000
Revenue	3,224	4,137	4,596	7,053
Cost of sales	(2,449)	(1,846)	(4,061)	(3,586)
Gross profit	775	2,291	535	3,467
Other income	40	11	42	33
Distribution expenses	(13)	(65)	(62)	(89)
Administrative expenses	(82)	(140)	(183)	(212)
Other expenses	(55)	(83)	(141)	(213)
Profit from operations	665	2,014	191	2,986
Finance costs	(1)	-	(2)	-
Profit before tax	664	2,014	189	2,986
Tax expenses	-	-	-	-
Profit for the period	664	2,014	189	2,986

Included in profit before tax from discontinued operations are :

Interest income	(4)	-	(4)	-
Depreciation and amortisation	132	77	224	161
Foreign exchange (gain) / loss	(48)	11	(32)	65

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2014

The figures have not been audited

18. Discontinued operations classified as held for sale (continued)

- (ii) An analysis of the assets for the discontinued operations classified as held for sales are as follows :

	As at 30/6/2014 RM'000
Assets	
Property, plant and equipment	1,876
Inventories	2,158
Trade and other receivables	2,912
Cash, bank balances and deposits	12,336
Assets of disposal company classified as held for sale	<u>19,282</u>
Liabilities	
Trade and other payables	<u>1,098</u>
Liabilities of disposal company classified as held for sale	<u>1,098</u>
Net assets of disposal company classified as held for sale	<u>18,184</u>

- (iii) The cash flow attributable to the discontinued operations are as follows :

	As at 30/6/2014 RM'000
Operating activities	17
Investing activities	166
Net cash flow	<u>183</u>

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2014

The figures have not been audited

19. Taxation

	Individual		Cumulative	
	Current	Preceding Year	Current	Preceding Year
	Quarter	Quarter	Quarter	Quarter
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	RM'000	RM'000	RM'000	RM'000
In respect of current period:-				
- Income tax	632	1,768	1,511	2,725
- Deferred tax	(232)	108	(493)	232
	400	1,876	1,018	2,957

The effective tax rates of the Group for the current quarter and financial year to-date is lower than the statutory tax rate mainly due to different tax rate in foreign jurisdiction.

20. Corporate proposals

There was no corporate proposal announced which remained incomplete as at the date of issue of the interim report.

21. Group borrowings (interest bearing) and debt securities

<u>As at end of the period</u>	30/6/2014	31/12/2013
	RM'000	RM'000
Repayable within twelve months:-		
Term loans – secured	-	50
Repayable after twelve months:-		
Term loans – secured	-	-
Total	-	50
GBP borrowings	-	50

22. Material litigation

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

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2014

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23. Dividend

The Board has on 8 April 2014 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 2013 (31 December 2012: 6.0 sen).

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

24. Earnings per share

(a) Basic

	Individual		Cumulative	
	Current Quarter 30/6/2014	Preceding Year Quarter 30/6/2013	Current Quarter 30/6/2014	Preceding Year Quarter 30/6/2013
Net profit attributable to equity holders of the parent (RM'000)				
- continuing operations	2,327	5,449	3,864	6,228
- discontinued operations	664	2,014	189	2,986
	2,991	7,463	4,053	9,214
Weighted average number of shares ('000)	247,358	247,338	247,358	246,830
Basic earnings per share (sen)				
- continuing operations	0.9	2.2	1.5	2.5
- discontinued operations	0.3	0.8	0.1	1.2
	1.2	3.0	1.6	3.7

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2014

The figures have not been audited

24. Earnings per share (continued)

(b) Diluted

	Individual		Cumulative	
	Current Quarter 30/6/2014	Preceding Year Quarter 30/6/2013	Current Quarter 30/6/2014	Preceding Year Quarter 30/6/2013
Net profit attributable to equity holders of the parent (RM'000)				
- continuing operations	2,327	5,449	3,864	6,228
- discontinued operations	664	2,014	189	2,986
	2,991	7,463	4,053	9,214
Weighted average number of shares ('000)	-	247,712	-	247,216
Diluted earnings per share (sen)				
- continuing operation	NA	2.2	NA	2.5
- discontinued operations	NA	0.8	NA	1.2
	NA	3.0	NA	3.7

25. Realised and Unrealised Profits

	As At End Of Current Quarter 30/06/2014 RM'000	As At End Of Preceding Quarter 31/03/2014 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	109,552	95,628
- Unrealised	288	1,055
	109,840	96,683
Total share of retained profits from an associate:		
- Realised	(642)	8,501
- Unrealised	(498)	(405)
	(1,140)	8,096
Consolidation adjustments	108,700 (2,974)	104,779 (2,044)
Total Group retained profits	105,726	102,735