

FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
 INTERIM REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2014
 (The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual quarter		Cumulative quarter	
	Current year quarter 30/09/2014 RM'000	Preceding year corresponding quarter 30/09/2013 RM'000	Current year to date 30/09/2014 RM'000	Preceding year corresponding quarter 30/09/2013 RM'000
Revenue	144,991	173,288	365,386	428,184
Cost of sales	<u>(133,383)</u>	<u>(154,862)</u>	<u>(332,274)</u>	<u>(384,698)</u>
Gross profit	11,608	18,426	33,112	43,486
Other income	6,555	3,242	9,983	6,290
Distribution costs	<u>(5,583)</u>	<u>(5,490)</u>	<u>(15,143)</u>	<u>(15,011)</u>
Administrative expenses	<u>(3,127)</u>	<u>(3,244)</u>	<u>(9,539)</u>	<u>(9,573)</u>
Other expenses	<u>(4,347)</u>	<u>(2,016)</u>	<u>(7,692)</u>	<u>(4,698)</u>
Profit from operations	5,106	10,918	10,721	20,494
Finance costs	<u>(32)</u>	<u>(27)</u>	<u>(92)</u>	<u>(84)</u>
Share of profit in an associate	<u>(911)</u>	<u>(53)</u>	<u>(541)</u>	<u>275</u>
Profit before tax from continuing operations	4,163	10,838	10,088	20,685
Tax expense	<u>(738)</u>	<u>(1,907)</u>	<u>(1,756)</u>	<u>(4,864)</u>
Profit for the period from continuing operations	3,425	8,931	8,332	15,821
Discontinued operations				
Profit for the period from discontinued operations	<u>-</u>	<u>808</u>	<u>189</u>	<u>3,794</u>
Profit for the period	<u>3,425</u>	<u>9,739</u>	<u>8,521</u>	<u>19,615</u>
Profits attributable to:				
Owners of the parent	3,984	8,642	8,037	17,857
Non-controlling interests	<u>(559)</u>	<u>1,097</u>	<u>484</u>	<u>1,758</u>
	<u>3,425</u>	<u>9,739</u>	<u>8,521</u>	<u>19,615</u>
Earnings per share (sen)				
Basic	<u>1.6</u>	<u>3.5</u>	<u>3.2</u>	<u>7.2</u>
Diluted	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</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 30/09/2014 RM'000	Preceding year corresponding quarter 30/09/2013 RM'000	Current year to date 30/09/2014 RM'000	Preceding year corresponding quarter 30/09/2013 RM'000
Profit for the period	3,425	9,739	8,521	19,615
<u>Other comprehensive income / (loss), net of tax</u>				
Currency translation difference	2,770	2,504	(963)	6,074
Share of associate's other comprehensive (loss) / income	-	(66)	(334)	(85)
Total comprehensive income	6,195	12,177	7,224	25,604
Attributable to:				
Owners of the parent	5,713	10,049	7,133	21,448
Non-controlling interests	482	2,128	91	4,156
	6,195	12,177	7,224	25,604

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/09/2014 RM'000	As at 31/12/2013 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	72,859	80,061
Prepaid land lease payment	18,071	18,310
Intangibles assets	267	266
Investment in an associate	29,377	39,541
	120,574	138,178
Current assets		
Inventories	38,029	34,762
Trade and other receivables	129,883	87,291
Current tax assets	1,028	596
Short term funds	60,239	52,499
Cash, bank balances and deposits	66,320	72,219
Assets of disposal group classified as held for sale	-	19,540
	295,499	266,907
TOTAL ASSETS	416,073	405,085
EQUITY AND LIABILITIES		
Equity		
Share capital	123,679	123,679
Reserves	118,256	125,964
	241,935	249,643
Equity attributable to equity holders of the Company	42,186	44,049
Non-controlling interests	284,121	293,692
Total equity	284,121	293,692
Non-current liabilities		
Long term borrowings	-	-
Deferred tax liabilities	2,061	2,518
	2,061	2,518
Current liabilities		
Trade and other payables	129,731	106,386
Derivative financial instruments	147	67
Short term borrowings	-	50
Taxation	13	827
Liabilities of disposal group classified as held for sale	-	1,545
	129,891	108,875
Total liabilities	131,952	111,393
TOTAL EQUITY AND LIABILITIES	416,073	405,085
Net assets per share attributable to owners of the parent (RM)	0.98	1.01

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	30/09/2014 RM'000	30/09/2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax		
- continuing operations	10,088	20,685
- discontinued operations	189	3,794
Adjustments for non-cash items	3,799	6,375
Operating profit before working capital changes	14,076	30,854
Net changes in working capital	(24,166)	(35,190)
Cash used in operations	(10,090)	(4,336)
Other payments	(40)	(38)
Taxes paid	(3,459)	(3,700)
Net cash used in operating activities	(13,589)	(8,074)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of shares from NCI of a subsidiary	(1,657)	-
Interest received	1,321	729
Purchase of property, plant and equipment	(2,734)	(1,629)
Dividend received from an associate	9,288	1,858
Short term funds	(10,720)	2,080
Proceeds from disposal of subsidiaries, net of cash and cash equivalents	8,975	-
Proceeds from disposal of property, plant and equipment	2,514	277
Net cash from investing activities	6,987	3,315
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new shares	-	674
Repayment of borrowings	(49)	(45)
Dividend paid	(14,841)	(14,839)
Net cash used in financing activities	(14,890)	(14,210)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(21,492)	(18,969)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD		
As previously reported	130,771	126,442
Effect of exchange rate changes	(558)	2,992
	130,213	129,434
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	108,721	110,465

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Non-distributable					Distributable			Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange fluctuation reserve	Available for-sales reserve	Retained profits	RM'000	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	-	-	-	(570)	(334)	8,037	7,133	91	7,224		
Acquisition of shares in a subsidiary from NCI	-	-	-	-	-	-	-	(1,854)	(1,854)		
NCI in respect of disposal of subsidiaries	-	-	-	-	-	-	-	(100)	(100)		
Dividend in respect of financial year 2013	-	-	-	-	-	(14,841)	(14,841)	-	(14,841)		
Balance as at 30 September 2014	123,679	994	1,259	6,293	-	109,710	241,935	42,186	284,121		
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	-	-	-	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	6,127	164	112,547	244,770	43,262	288,032		

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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 SEPTEMBER 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 SEPTEMBER 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
9-month ended 30-9-2014					
Revenue					
External	209,558	157,932	2,492	-	369,982
Inter-segment sales	13,257	6,686	-	(19,943)	-
Total revenue	222,815	164,618	2,492	(19,943)	369,982
Results					
Segment results	20,965	1,123	(1,302)	(9,874)	10,912
Finance cost	(59)	(32)	(3)	-	(94)
Share of result in an associate	(541)	-	-	-	(541)
Profit before tax					10,277
Tax expense					(1,756)
Profit for the period					8,521
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

The results of the discontinued operations 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 SEPTEMBER 2014

The figures have not been audited

10. Subsequent event

There were no material events subsequent to 30 September 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 was 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 September 2014, the Group's profit before tax was lower at RM10.1 million compared to RM24.5 million in the previous year's corresponding period mainly due to lower sales.

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

The figures have not been audited

14. Comparison with previous quarter's results

Despite sales increased by 15% to RM145.0 million in Q3 2014 from RM126.6 million in the immediately preceding quarter, the Group's profit before tax was unchanged at RM4.2 million compared to RM4.2 million in the immediate preceding quarter mainly due to higher costs .

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 profitable but challenging given the intensifying competition and uncertain macro-economic outlook in the worldwide market.

16. Deviation from profit forecast and profit guarantee

Not applicable.

17. Profit before tax from continuing operations

	Individual		Cumulative	
	Current Quarter 30/9/2014 RM'000	Preceding Year Quarter 30/9/2013 RM'000	Current Quarter 30/9/2014 RM'000	Preceding Year Quarter 30/9/2013 RM'000
Profit for the period is arrived at after charging / (crediting):				
Income from short term funds	(487)	(183)	(1,144)	(557)
Interest income	(55)	(59)	(173)	(172)
Interest expenses	13	10	40	37
Depreciation and amortization	2,917	2,910	8,811	8,697
Foreign exchange loss / (gain)	755	(2,131)	(555)	(2,998)
Derivatives loss	147	125	80	223
Reversal of impairment loss on trade receivables	(33)	(599)	(470)	(1,417)
Gain on disposal of property, plant and equipment	(80)	(5)	(283)	(80)
Gain on disposal of subsidiaries	(3,025)	-	(3,025)	-
PPE written off	-	6	1	52
Inventory written down	-	1,811	-	1,811
Impairment loss on receivables	-	21	-	21

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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 30/9/2014 RM'000	Preceding Year Quarter 30/9/2013 RM'000	Current Quarter 30/9/2014 RM'000	Preceding Year Quarter 30/9/2013 RM'000
Revenue	-	2,607	4,596	9,661
Cost of sales	-	(1,568)	(4,061)	(5,155)
Gross profit	-	1,039	535	4,506
Other income	-	11	42	45
Distribution expenses	-	(52)	(62)	(141)
Administrative expenses	-	(45)	(183)	(257)
Other expenses	-	(145)	(141)	(358)
Profit from operations	-	808	191	3,795
Finance costs	-	-	(2)	(1)
Profit before tax	-	808	189	3,794
Tax expenses	-	-	-	-
Profit for the period	-	808	189	3,794

Included in profit before tax from discontinued operations are :

Interest income	-	-	(4)	-
Depreciation and amortisation	-	74	224	236
Foreign exchange loss / (gain)	-	52	(32)	117

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

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

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

	As at
	30/9/2014
	RM'000
Assets	
Property, plant and equipment	1,876
Inventories	2,158
Trade and other receivables	2,914
Cash, bank balances and deposits	12,334
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	18,184
NCI of the discontinued operations	100
Gain on disposal of discontinued operations	3,025
Total cash consideration received, net of cost to sell	<u>21,309</u>
Less : Cash and cash equivalents of subsidiaries disposed	<u>(12,334)</u>
Disposal of discontinued operation, net of cash and cash equivalents received	<u>8,975</u>

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

	As at
	30/9/2014
	RM'000
Operating activities	17
Investing activities	<u>166</u>
Net cash flow	<u>183</u>

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19. Taxation

	Individual		Cumulative	
	Current Quarter 30/9/2014 RM'000	Preceding Year Quarter 30/9/2013 RM'000	Current Quarter 30/9/2014 RM'000	Preceding Year Quarter 30/9/2013 RM'000
In respect of current period:-				
- Income tax	940	1,973	2,451	4,698
- Deferred tax	36	36	(457)	268
In respect of prior year :-				
- Income tax	(238)	(102)	(238)	(102)
	<u>738</u>	<u>1,907</u>	<u>1,756</u>	<u>4,864</u>

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 and certain income which is capital in nature.

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>	30/9/2014 RM'000	31/12/2013 RM'000
Repayable within twelve months:-		
Term loans – secured	-	50
Repayable after twelve months:-		
Term loans – secured	-	-
Total	<u>-</u>	<u>50</u>
GBP borrowings	-	50

22. Material litigation

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

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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 30/9/2014	Preceding Year Quarter 30/9/2013	Current Quarter 30/9/2014	Preceding Year Quarter 30/9/2013
Net profit attributable to equity holders of the parent (RM'000)				
- continuing operations	3,984	7,834	7,848	14,063
- discontinued operations	-	808	189	3,794
	3,984	8,642	8,037	17,857
Weighted average number of shares ('000)	247,358	247,358	247,358	247,008
Basic earnings per share (sen)				
- continuing operations	1.6	3.2	3.2	5.7
- discontinued operations	-	0.3	- *	1.5
	1.6	3.5	3.2	7.2

* Minimum amount

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25. Realised and Unrealised Profits

	As At End Of Current Quarter 30/09/2014 RM'000	As At End Of Preceding Quarter 30/06/2014 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	114,305	109,552
- Unrealised	(71)	288
	114,234	109,840
Total share of retained profits from an associate:		
- Realised	(1,703)	(642)
- Unrealised	(348)	(498)
	(2,051)	(1,140)
	112,183	108,700
Consolidation adjustments	(2,473)	(2,974)
Total Group retained profits	109,710	105,726