

FORMOSA PROSONIC

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

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual quarter		Cumulative quarter	
	Current year quarter 31/12/2014 RM'000	Preceding year corresponding quarter 31/12/2013 RM'000	Current year to date 31/12/2014 RM'000	Preceding year corresponding quarter 31/12/2013 RM'000
Revenue	97,754	114,743	463,168	543,015
Cost of sales	(92,371)	(101,645)	(424,852)	(486,656)
Gross profit	5,383	13,098	38,316	56,359
Other income	1,515	1,414	11,498	7,704
Distribution costs	(4,401)	(5,886)	(19,544)	(20,897)
Administrative expenses	(4,108)	(4,341)	(13,647)	(13,914)
Other expenses	438	(717)	(7,253)	(5,475)
(Loss) / profit from operations	(1,173)	3,568	9,370	23,777
Finance costs	(55)	(50)	(147)	(134)
Share of profit / (loss) in an associate	74	116	(467)	391
(Loss) / profit before tax from continuing operations	(1,154)	3,634	8,756	24,034
Tax expense	327	(233)	(1,429)	(5,097)
(Loss) / profit for the year from continuing operations	(827)	3,401	7,327	18,937
Discontinued operations				
Profit for the year from discontinued operations	-	849	368	4,928
(Loss) / profit for the year	(827)	4,250	7,695	23,865
Profits attributable to:				
Owners of the parent	(449)	3,974	7,589	21,824
Non-controlling interests	(378)	276	106	2,041
	(827)	4,250	7,695	23,865
Earnings per share (sen)				
Basic	(0.2)	1.6	3.0	8.8
Diluted	NA	NA	NA	NA

(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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INTERIM REPORT FOR THE YEAR ENDED 31 DECEMBER 2014
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual quarter		Cumulative quarter	
	Current year quarter 31/12/2014 RM'000	Preceding year corresponding quarter 31/12/2013 RM'000	Current year to date 31/12/2014 RM'000	Preceding year corresponding quarter 31/12/2013 RM'000
(Loss) / profit for the year	(827)	4,250	7,695	23,865
<u>Other comprehensive income / (loss), net of tax</u>				
Currency translation difference	3,932	1,240	2,969	7,314
Share of associate's other comprehensive income / (loss)	-	171	(334)	85
Total comprehensive income	3,105	5,661	10,330	31,264
Attributable to:				
Owners of the parent	1,762	4,880	8,895	26,321
Non-controlling interests	1,343	781	1,435	4,943
	3,105	5,661	10,330	31,264

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31/12/2014 RM'000	As at 31/12/2013 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	66,667	81,314
Prepaid land lease payment	17,991	18,310
Intangibles assets	497	266
Investment in an associate	29,451	39,541
	114,606	139,431
Current assets		
Inventories	36,936	37,411
Trade and other receivables	80,891	88,261
Current tax assets	1,626	576
Short term funds	68,114	52,499
Cash, bank balances and deposits	81,018	85,390
	268,585	264,137
TOTAL ASSETS	383,191	403,568
EQUITY AND LIABILITIES		
Equity		
Share capital	123,679	123,679
Reserves	120,196	125,964
	243,875	249,643
Equity attributable to equity holders of the Company	243,875	249,643
Non-controlling interests	43,549	44,049
Total equity	287,424	293,692
Non-current liabilities		
Deferred tax liabilities	1,924	2,518
Current liabilities		
Trade and other payables	93,417	106,434
Derivative financial instruments	370	67
Short term borrowings	-	50
Taxation	56	807
	93,843	107,358
Total liabilities	95,767	109,876
TOTAL EQUITY AND LIABILITIES	383,191	403,568
Net assets per share attributable to owners of the parent (RM)	0.99	1.01

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	31/12/2014	31/12/2013
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax		
- continuing operations	8,756	24,034
- discontinued operations	368	4,928
Adjustments for non-cash items	6,728	8,140
Operating profit before working capital changes	15,852	37,102
Net changes in working capital	(10,334)	(16,000)
Cash from operations	5,518	21,102
Other payments	(51)	(47)
Taxes paid	(3,825)	(4,680)
Net cash from operating activities	1,642	16,375
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of shares from NCI of a subsidiary	(1,657)	-
Interest received	1,920	1,076
Purchase of property, plant and equipment	(2,851)	(2,332)
Dividend received from an associate	9,288	1,858
Short term funds	(5,681)	2,080
Proceeds from disposal of subsidiaries, net of cash and cash equivalents	8,790	-
Proceeds from disposal of property, plant and equipment	5,751	308
Net cash from investing activities	15,560	2,990
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new shares	-	674
Repayment of borrowings	(50)	(52)
Dividend paid	(14,841)	(14,839)
Net cash used in financing activities	(14,891)	(14,217)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,311	5,148
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		
As previously reported	130,771	126,443
Effect of exchange rate changes	3,251	4,275
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	134,022	130,718
	136,333	135,866

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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				
Balance as at 1 Jan 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
123,679	994	1,259	6,863	334	116,514	249,643	44,049	293,692		
Total comprehensive income / (loss)	-	-	-	1,640	(334)	7,589	8,895	1,435	10,330	
Acquisition of shares in a subsidiary from NCI	-	-	-	-	-	178	178	(1,835)	(1,657)	
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 31 December 2014	123,679	994	1,259	8,503	-	109,440	243,875	43,549	287,424	
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	-	-	-	4,412	85	21,824	26,321	4,943	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	6,863	334	116,514	249,643	44,049	293,692	

(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 31 DECEMBER 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 31 DECEMBER 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 year.

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 year.

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 31 DECEMBER 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
12-month ended 31-12-2014					
Revenue					
External	253,396	211,035	3,305	-	467,736
Inter-segment sales	15,900	7,407	-	(23,307)	-
Total revenue	269,296	218,442	3,305	(23,307)	467,736
Results					
Segment results	20,836	206	(1,726)	(9,576)	9,740
Finance cost	(75)	(42)	(32)	-	(149)
Share of result in an associate	(467)	-	-	-	(467)
Profit before tax					9,124
Tax expense					(1,429)
Profit for the year					7,695
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

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 31 DECEMBER 2014

The figures have not been audited

10. Subsequent event

There were no material events subsequent to 31 December 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 year ended 31 December 2014, the Group's profit before tax was lower at RM8.8 million compared to RM24.0 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 31 DECEMBER 2014

The figures have not been audited

14. Comparison with previous quarter's results

Sales decreased by 32.6% to RM97.8 million in Q4 2014 from RM145.0 million in the immediately preceding quarter. This has resulted in loss before tax of RM1.2 million compared to gain before tax of RM4.2 million in the immediate preceding quarter.

15. Prospects for the current financial year

Barring unforeseen circumstances, the Directors are cautious on the business prospects for the financial year ending 31 December 2015 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 31/12/2014 RM'000	Preceding Year Quarter 31/12/2013 RM'000	Current Quarter 31/12/2014 RM'000	Preceding Year Quarter 31/12/2013 RM'000
Profit for the period is arrived at after charging / (crediting):				
Income from short term funds	(546)	(279)	(1,691)	(836)
Interest income	(52)	(64)	(226)	(236)
Interest expenses	11	9	51	46
Depreciation and amortization	3,131	2,884	11,942	11,580
Foreign exchange gain	(1,581)	(622)	(2,135)	(3,620)
Derivatives loss / (gain)	224	(127)	304	96
(Reversal of impairment loss) / impairment loss on trade receivables	680	(936)	210	(2,354)
Gain on disposal of property, plant and equipment	(969)	(27)	(1,252)	(107)
Gain on disposal of subsidiaries	-	-	(3,040)	-
PPE written off	-	1	1	53
Inventory written down	-	55	-	1,866

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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 31/12/2014 RM'000	Preceding Year Quarter 31/12/2013 RM'000	Current Quarter 31/12/2014 RM'000	Preceding Year Quarter 31/12/2013 RM'000
Revenue	-	3,404	4,568	12,977
Cost of sales	-	(1,879)	(3,854)	(6,721)
Gross profit	-	1,525	714	6,256
Other income	-	(19)	42	26
Distribution expenses	-	(39)	(62)	(181)
Administrative expenses	-	(59)	(183)	(316)
Other expenses	-	(559)	(141)	(855)
Profit from operations	-	849	370	4,930
Finance costs	-	-	(2)	(1)
Profit before tax	-	849	368	4,929
Tax expenses	-	-	-	(1)
Profit for the period	-	849	368	4,928

Included in profit before tax from discontinued operations are :

Interest income	-	(3)	(4)	(3)
Interest expenses	-	-	-	1
Depreciation and amortisation	-	81	224	317
Foreign exchange (gain) / loss	-	199	(32)	316
Impairment loss on receivables	-	259	-	279

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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 31/12/2014 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	3,040
Total cash consideration received, net of cost to sell	<u>21,124</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>8,790</u>

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

	As at 31/12/2014 RM'000
Operating activities	17
Investing activities	166
Net cash flow	<u>183</u>

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19. Taxation

	Individual		Cumulative	
	Current Quarter 31/12/2014 RM'000	Preceding Year Quarter 31/12/2013 RM'000	Current Quarter 31/12/2014 RM'000	Preceding Year Quarter 31/12/2013 RM'000
In respect of current period:-				
- Income tax	(190)	653	2,261	5,351
- Deferred tax	160	(518)	(297)	(250)
In respect of prior year :-				
- Income tax	-	-	(238)	(102)
- Deferred tax	(297)	99	(297)	99
	(327)	234	1,429	5,098

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

The Board of Directors wishes to announce that on 09 February 2015, Formosa Prosonic Industries Berhad ("FPI") entered into a Sale and Purchase Agreement ("SPA") to acquire manufacturing asset and equipment located at address plot 236, 238 & 240 Kawasan Perusahaan LPK, Taman Ria Jaya, 08000 Sungai Petani, Kedah ("SP Factory") from Formosa Prosonic Technics Sdn Bhd ("FPT") for a cash consideration of RM4,500,000. Simultaneous with the SPA, FPI also entered into a tenancy agreement with FPT whereby FPI will rent the factory land and building located at the SP Factory.

21. Group borrowings (interest bearing) and debt securities

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

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

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22. Material litigation

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

23. Dividend

The Board has declared a first interim single tier tax exempt dividend of 3.0 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2014 (31 December 2013: 6.0 sen).

The dividend will be payable on 10 April 2014 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 31 March 2014.

24. Earnings per share

(a) Basic

	Individual		Cumulative	
	Current Quarter 31/12/2014	Preceding Year Quarter 31/12/2013	Current Quarter 31/12/2014	Preceding Year Quarter 31/12/2013
Net profit attributable to equity holders of the parent (RM'000)				
- continuing operations	(449)	3,125	7,221	16,896
- discontinued operations	-	849	368	4,928
	(449)	3,974	7,589	21,824
Weighted average number of shares ('000)	247,358	247,358	247,358	247,096
Basic earnings per share (sen)				
- continuing operations	(0.2)	1.3	3.0	7.0
- discontinued operations	-	0.3	- *	1.8
	(0.2)	1.6	3.0	8.8

* Minimum amount

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

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25. Realised and Unrealised Profits

	As At End Of Current Quarter 31/12/2014 RM'000	As At End Of Preceding Quarter 30/09/2014 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	110,073	114,305
- Unrealised	1,037	(71)
	111,110	114,234
Total share of retained profits from an associate:		
- Realised	(1,724)	(1,703)
- Unrealised	(360)	(348)
	(2,084)	(2,051)
	109,026	112,183
Consolidation adjustments	414	(2,473)
Total Group retained profits	109,440	109,710