

FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
 INTERIM REPORT FOR THE YEAR ENDED 31 MARCH 2015
 (The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual quarter		Cumulative quarter	
	Current year quarter 31/03/2015 RM'000	Preceding year corresponding quarter 31/03/2014 RM'000	Current year to date 31/03/2015 RM'000	Preceding year corresponding quarter 31/03/2014 RM'000
Revenue	76,950	98,373	76,950	98,373
Cost of sales	<u>(70,230)</u>	<u>(89,470)</u>	<u>(70,230)</u>	<u>(89,470)</u>
Gross profit	6,720	8,903	6,720	8,903
Other income	3,563	2,480	3,563	2,480
Distribution costs	<u>(4,443)</u>	<u>(4,521)</u>	<u>(4,443)</u>	<u>(4,521)</u>
Administrative expenses	<u>(2,880)</u>	<u>(2,769)</u>	<u>(2,880)</u>	<u>(2,769)</u>
Other expenses	<u>(4,225)</u>	<u>(2,501)</u>	<u>(4,225)</u>	<u>(2,501)</u>
(Loss) / profit from operations	(1,265)	1,592	(1,265)	1,592
Finance costs	<u>(63)</u>	<u>(32)</u>	<u>(63)</u>	<u>(32)</u>
Share of profit / (loss) in an associate	<u>(362)</u>	<u>312</u>	<u>(362)</u>	<u>312</u>
(Loss) / profit before tax	(1,690)	1,872	(1,690)	1,872
Tax expense	<u>366</u>	<u>(618)</u>	<u>366</u>	<u>(618)</u>
(Loss) / profit for the period	<u>(1,324)</u>	<u>1,254</u>	<u>(1,324)</u>	<u>1,254</u>
Profits attributable to:				
Owners of the parent	<u>(1,674)</u>	<u>1,063</u>	<u>(1,674)</u>	<u>1,063</u>
Non-controlling interests	<u>350</u>	<u>191</u>	<u>350</u>	<u>191</u>
	<u>(1,324)</u>	<u>1,254</u>	<u>(1,324)</u>	<u>1,254</u>
Earnings per share (sen)				
Basic	<u>(0.7)</u>	<u>0.4</u>	<u>(0.7)</u>	<u>0.4</u>
Diluted	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</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.)

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual quarter		Cumulative quarter	
	Current year quarter 31/03/2015 RM'000	Preceding year corresponding quarter 31/03/2014 RM'000	Current year to date 31/03/2015 RM'000	Preceding year corresponding quarter 31/03/2014 RM'000
(Loss) / profit for the period	(1,324)	1,254	(1,324)	1,254
<u>Other comprehensive income / (loss), net of tax</u>				
Currency translation difference	5,187	(2,404)	5,187	(2,404)
Share of associate's other comprehensive income / (loss)	-	(334)	-	(334)
Total comprehensive income	<u>3,863</u>	<u>(1,484)</u>	<u>3,863</u>	<u>(1,484)</u>
Attributable to:				
Owners of the parent	1,459	(730)	1,459	(730)
Non-controlling interests	2,404	(754)	2,404	(754)
	<u>3,863</u>	<u>(1,484)</u>	<u>3,863</u>	<u>(1,484)</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31/03/2015 RM'000	As at 31/12/2014 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	69,649	66,667
Prepaid land lease payment	17,912	17,991
Intangibles assets	504	497
Investment in an associate	29,089	29,451
	117,154	114,606
Current assets		
Inventories	48,273	36,936
Trade and other receivables	87,232	80,891
Current tax assets	2,053	1,626
Short term funds	51,533	68,114
Cash, bank balances and deposits	91,580	81,018
	280,671	268,585
TOTAL ASSETS	397,825	383,191
EQUITY AND LIABILITIES		
Equity		
Share capital	123,679	123,679
Reserves	114,233	120,196
	237,912	243,875
Equity attributable to equity holders of the Company	45,954	43,549
Non-controlling interests	283,866	287,424
Total equity		
Non-current liabilities		
Deferred tax liabilities	1,524	1,924
Current liabilities		
Trade and other payables	104,952	93,417
Derivative financial instruments	-	370
Taxation	62	56
Dividend Payable	7,421	-
	112,435	93,843
Total liabilities	113,959	95,767
TOTAL EQUITY AND LIABILITIES	397,825	383,191
Net assets per share attributable to owners of the parent (RM)	0.96	0.99

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	31/03/2015 RM'000	31/03/2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	(1,690)	1,872
Adjustments for non-cash items	<u>3,432</u>	<u>267</u>
Operating profit before working capital changes	1,742	2,139
Net changes in working capital	<u>3,477</u>	<u>(12,279)</u>
Cash from / (used in) operations	5,219	(10,140)
Other payments	(48)	(14)
Taxes paid	<u>(456)</u>	<u>(1,272)</u>
Net cash from / (used in) operating activities	4,715	(11,426)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of shares from NCI of a subsidiary	-	(1,656)
Interest received	729	420
Purchase of property, plant and equipment	(14,511)	(940)
Short term funds	(10,736)	(427)
Proceeds from disposal of property, plant and equipment	<u>7</u>	<u>187</u>
Net cash used in investing activities	(24,511)	(2,416)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	-	(31)
Net cash used in financing activities	0	(31)
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(19,796)</u>	<u>(13,873)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD		
As previously reported	<u>149,131</u>	<u>130,771</u>
Effect of exchange rate changes	<u>3,041</u>	<u>(705)</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u><u>152,172</u></u>	<u><u>130,066</u></u>
	<u><u>132,376</u></u>	<u><u>116,193</u></u>

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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	Retained profits RM'000				
Balance as at 1 Jan 2015	123,679	994	1,259	8,503	-	109,439	243,874	43,550	287,424		
Total comprehensive income / (loss)	-	-	-	3,133	-	(1,674)	1,459	2,404	3,863		
Dividend in respect of financial year 2014	-	-	-	-	-	(7,421)	(7,421)	-	(7,421)		
Balance as at 31 March 2015	123,679	994	1,259	11,636	-	100,344	237,912	45,954	283,866		
Balance as at 1 January 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		

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2015

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 2014.

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 2014, except for the adoption of the following:

MFRSs/ Amendments/Interpretations	Effective date
Amendments to MFRS 1, <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)</i>	1 July 2014
Amendments to MFRS 3, <i>Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>	1 July 2014
Amendments to MFRS 8, <i>Operating Segments (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 13, <i>Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>	1 July 2014
Amendments to MFRS 116, <i>Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 124, <i>Related Party Disclosures (Annual Improvements 2010-2012 Cycle)</i>	1 July 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 MARCH 2015

The figures have not been audited

2. Audit qualification

The audit report on the financial statements for the financial year ended 31 December 2014 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
There were no dividends paid	-	-

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2015

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 31-3-2015					
Revenue					
External	43,280	33,301	369	-	76,950
Inter-segment sales	347	3,814	-	(4,161)	-
Total revenue	43,627	37,115	369	(4,161)	76,950
Results					
Segment results	(1,070)	867	(608)	(454)	(1,265)
Finance cost	(54)	(9)	-	-	(63)
Share of result in an associate	(362)	-	-	-	(362)
Loss before tax					(1,690)
Tax expense					366
Loss for the period					(1,324)
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	63,821	38,737	1,359	(5,544)	98,373
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					1,872
Tax expense					(618)
Profit for the period					1,254

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 MARCH 2015

The figures have not been audited

10. Subsequent event

There were no material events subsequent to the end of the current financial year-to-date 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.

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 2015, the Group registered a loss before tax of RM1.7 million compared to profit before tax at RM1.9 million in the previous year's corresponding period mainly due to lower sales and intense competition in the market.

14. Comparison with previous quarter's results

Sales decreased by 21.3% to RM77.0 million in Q1 2015 from RM97.8 million in the immediately preceding quarter. This has resulted in a loss before tax of RM1.7 million compared to loss before tax of RM1.2 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.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2015

The figures have not been audited

17. Notes to the statement of comprehensive income

	Individual		Cumulative	
	Current Quarter 31/3/2015 RM'000	Preceding Year Quarter 31/3/2014 RM'000	Current Quarter 31/3/2015 RM'000	Preceding Year Quarter 31/3/2014 RM'000
Profit for the period is arrived at after charging / (crediting):				
Income from short term funds	(675)	(367)	(675)	(367)
Interest income	(54)	(53)	(54)	(53)
Interest expenses	48	14	48	14
Depreciation and amortization	2,735	3,058	2,735	3,058
Foreign exchange loss / (gain)	232	(946)	232	(946)
Derivatives (gain) / loss	(370)	(71)	(370)	(71)
Loss on disposal of property, plant and equipment	-	26	-	26
PPE written off	-	1	-	1

18. Taxation

	Individual		Cumulative	
	Current Quarter 31/3/2015 RM'000	Preceding Year Quarter 31/3/2014 RM'000	Current Quarter 31/3/2015 RM'000	Preceding Year Quarter 31/3/2014 RM'000
In respect of current period:-				
- Income tax	34	879	34	879
- Deferred tax	(400)	(261)	(400)	(261)
	(366)	618	(366)	618

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 not taxable.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2015

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19. Corporate proposals

19.1 The Board of Directors announced that on 09 February 2015 the Company entered into a Sale and Purchase Agreement (“SPA”) to acquire the 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”) (“Proposed Acquisition”) for a cash consideration of RM4,500,000. Simultaneous with the SPA, the Company also entered into a tenancy agreement whereby the Company will rent the factory land and building located at the SP Factory.

The terms of the Sale and Purchase Agreement have been fully satisfied and the Proposed Disposal had been completed on 25 March 2015.

19.2 The Board of Directors announced that on 27 March 2015, the Company had entered into:

(a) A Sale and Purchase Agreement with Formosa Prosonic Technics Sdn Bhd (“FPT”) to acquire registered lease interest in the land under Geran 49384, Lot 184 Seksyen 65, Bandar Sungai Petani, Daerah Kuala Muda, Negeri Kedah together with buildings erected thereon for a cash consideration of RM15,000,000.00 (“Proposed Acquisition I”); and

(b) A Sale and Purchase Agreement with FPT to acquire a double storey link semi-detached house bearing postal address B278, Jalan 12, Cinta Sayang Resort Homes, 08000 Sungai Petani, Kedah Held Under Individual Title No. Geran 187490, Lot 2430, Seksyen 65, Bandar Sungai Petani, Daerah Kuala Muda, Negeri Kedah for a cash consideration of RM550,000.00 (“Proposed Acquisition II”).

Proposal Acquisition I and II are pending completion

20. Group borrowings (interest bearing) and debt securities

<u>As at end of the period</u>	31/3/2015 RM'000	31/3/2014 RM'000
Repayable within twelve months:-		
Term loans – secured	-	19
Repayable after twelve months:-		
Term loans – secured	-	-
Total	-	19
GBP borrowings	-	19

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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 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) and was paid on 10 April 2015 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 31 March 2015.

The Board has not declared any dividend for the current financial period.

23. Earnings per share

(a) Basic

	Individual		Cumulative	
	Current Quarter 31/3/2015	Preceding Year Quarter 31/3/2014	Current Quarter 31/3/2015	Preceding Year Quarter 31/3/2014
Net profit attributable to equity holders of the parent (RM'000) - continuing operations	(1,674)	1,063	(1,674)	1,063
Weighted average number of shares ('000)	247,358	247,358	247,358	247,358
Basic earnings per share (sen)	(0.7)	0.4	(0.7)	0.4

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2015

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24. Realised and Unrealised Profits

	As At End Of Current Quarter 31/3/2015 RM'000	As At End Of Preceding Quarter 31/12/2014 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	104,684	110,073
- Unrealised	(1,864)	1,037
	102,820	111,110
Total share of retained profits from an associate:		
- Realised	(2,045)	(1,724)
- Unrealised	(401)	(360)
	(2,446)	(2,084)
	100,374	109,026
Consolidation adjustments	(30)	414
Total Group retained profits	100,344	109,440