

FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
 INTERIM REPORT FOR THE YEAR ENDED 31 MARCH 2016
 (The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual quarter		Cumulative quarter	
	Current year	Preceding year	Current year	Preceding year
	quarter	corresponding	to date	corresponding
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	RM'000	RM'000	RM'000	RM'000
Revenue	69,171	43,649	69,171	43,649
Cost of sales	<u>(64,178)</u>	<u>(41,925)</u>	<u>(64,178)</u>	<u>(41,925)</u>
Gross profit	4,993	1,724	4,993	1,724
Other income	12,298	2,224	12,298	2,224
Distribution costs	<u>(2,910)</u>	<u>(2,719)</u>	<u>(2,910)</u>	<u>(2,719)</u>
Administrative expenses	<u>(1,960)</u>	<u>(1,819)</u>	<u>(1,960)</u>	<u>(1,819)</u>
Other expenses	<u>(13,235)</u>	<u>(1,543)</u>	<u>(13,235)</u>	<u>(1,543)</u>
Loss from operations	(814)	(2,133)	(814)	(2,133)
Finance costs	<u>(43)</u>	<u>(54)</u>	<u>(43)</u>	<u>(54)</u>
Share of profit / (loss) in an associate	<u>-</u>	<u>(362)</u>	<u>-</u>	<u>(362)</u>
Loss before tax	(857)	(2,549)	(857)	(2,549)
Tax expense	<u>1,668</u>	<u>366</u>	<u>1,668</u>	<u>366</u>
Profit / (loss) from continuing operations	811	(2,183)	811	(2,183)
Discontinued operations				
Profit from discontinued operations	<u>-</u>	<u>859</u>	<u>-</u>	<u>859</u>
Profit / (loss) for the financial period	811	(1,324)	811	(1,324)
Profits / (loss) attributable to:				
Owners of the parent	<u>793</u>	<u>(1,674)</u>	<u>793</u>	<u>(1,674)</u>
Non-controlling interests	<u>18</u>	<u>350</u>	<u>18</u>	<u>350</u>
	<u>811</u>	<u>(1,324)</u>	<u>811</u>	<u>(1,324)</u>
Earnings per share (sen)				
Basic	<u>0.3</u>	<u>(0.7)</u>	<u>0.3</u>	<u>(0.7)</u>
Diluted	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>

(The notes set out on pages 6 to 12 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 31/03/2016 RM'000	Preceding year corresponding quarter 31/03/2015 RM'000	Current year to date 31/03/2016 RM'000	Preceding year corresponding quarter 31/03/2015 RM'000
Profit / (loss) for the financial period	811	(1,324)	811	(1,324)
<u>Other comprehensive income / (loss), net of tax</u>				
Currency translation difference	(4,463)	5,187	(4,463)	5,187
Total comprehensive income	<u>(3,652)</u>	<u>3,863</u>	<u>(3,652)</u>	<u>3,863</u>
Attributable to:				
Owners of the parent	(1,598)	1,459	(1,598)	1,459
Non-controlling interests	<u>(2,054)</u>	<u>2,404</u>	<u>(2,054)</u>	<u>2,404</u>
	<u>(3,652)</u>	<u>3,863</u>	<u>(3,652)</u>	<u>3,863</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31/03/2016 RM'000	As at 31/12/2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	76,408	76,276
Prepaid land lease payment	17,592	17,672
Investment in an associate	-	32,504
	94,000	126,452
Current assets		
Inventories	28,515	24,994
Trade and other receivables	46,562	73,819
Current tax assets	631	53
Derivative financial instruments	1,265	214
Short term funds	136,410	105,710
Cash, bank balances and deposits	54,573	52,492
	267,956	257,282
TOTAL ASSETS	361,956	383,734
EQUITY AND LIABILITIES		
Equity		
Share capital	123,679	123,679
Reserves	110,228	129,141
	233,907	252,820
Equity attributable to equity holders of the Company	233,907	252,820
Non-controlling interests	30,623	32,677
Total equity	264,530	285,497
Non-current liabilities		
Deferred tax liabilities	128	1,493
Current liabilities		
Trade and other payables	77,012	93,757
Taxation	2,971	2,987
Dividend Payable	17,315	-
	97,298	96,744
Total liabilities	97,426	98,237
TOTAL EQUITY AND LIABILITIES	361,956	383,734
Net assets per share attributable to owners of the parent (RM)	0.95	1.02

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 INTERIM REPORT FOR THE YEAR ENDED 31 MARCH 2016
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	31/03/2016 RM'000	31/03/2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax		
- continuing operations	(857)	(1,690)
- discontinued operations	-	-
Adjustments for non-cash items	7,269	3,432
Operating profit before working capital changes	6,412	1,742
Net changes in working capital	(3,794)	3,477
Cash from operations	2,618	5,219
Other payments	(37)	(48)
Taxes paid	(291)	(456)
Net cash from operating activities	2,290	4,715
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	586	729
Purchase of property, plant and equipment	(2,223)	(14,511)
Short term funds	-	(10,736)
Proceeds from disposal of subsidiaries	11,975	-
Proceeds from disposal of an associate	34,775	-
Proceeds from disposal of property, plant and equipment	-	7
Net cash from / (used in) investing activities	45,113	(24,511)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	47,403	(19,796)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD		
As previously reported	158,202	149,131
Effect of exchange rate changes	(14,622)	3,041
	143,580	152,172
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	190,983	132,376

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 INTERIM REPORT FOR THE YEAR ENDED 31 MARCH 2016
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Non-distributable					Distributable		Equity attributable to equity holders of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Equity attributable to equity holders of the parent RM'000	Non-controlling interests RM'000			
Balance as at 1 Jan 2016	123,679	994	1,259	5,492	121,396	252,820	32,677	285,497		
Total comprehensive income / (loss)	-	-	-	(2,391)	793	(1,598)	(2,054)	(3,652)		
Dividend in respect of financial year 2015	-	-	-	-	(17,315)	(17,315)	-	(17,315)		
Balance as at 31 March 2016	123,679	994	1,259	3,101	104,874	233,907	30,623	264,530		
Balance as at 1 January 2015	123,679	994	1,259	8,503	109,439	243,874	43,550	287,424		
Total comprehensive income	-	-	-	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		

(The notes set out on pages 6 to 12 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 2016

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 2015.

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 2015.

2. Audit qualification

The audit report on the financial statements for the financial year ended 31 December 2015 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.

FORMOSA PROSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2016

The figures have not been audited

7. Dividend paid

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

8. Segmental reporting

The Group's operations by geographical segments were as follows:-

	Malaysia RM'000	(Discontinued operations) China RM'000	UK/US RM'000	Elimination RM'000	Total RM'000
3-month ended 31-3-2016					
Revenue					
External	68,661	-	510	-	69,171
Inter-segment sales	183	-	-	(183)	-
Total revenue	68,844	-	510	(183)	69,171
Results					
Segment results	(921)	-	75	32	(814)
Finance cost	(43)	-	-	-	(43)
Loss before tax					(857)
Tax expense					1,668
Profit for the period					811
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)

As disclosed in Note 18 of this interim reports, the Company entered into a sale and purchase agreement to dispose of the entire equity interest in FP Group Limited and its subsidiary.

FORMOSA PROSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2016

The figures have not been audited

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.

10. Subsequent events

There were no material events subsequent to 31 December 2015 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 on 29 January 2016, Formosa Prosonic Manufacturing Sdn. Bhd., a wholly-owned subsidiary of the Company disposed of its entire interest of 27.79% or 46,442,474 ordinary shares of RM0.50 each in an associate, which is Acoustech Berhad, for a total cash consideration of RM34,831,856 or RM0.75 per share via direct business transaction.

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 continuing operations, the Group managed to register higher sales at RM69.2 million in Q1 2016 from RM43.6 million in the previous year's corresponding quarter. Nevertheless, the Group's loss before tax was higher at RM3.1 million (after excluding one-off gain on disposal of an associate of RM2.3 million) compared to loss before tax of RM2.5 million previously mainly due to loss on foreign exchange from the weakening of the USD against Malaysia Ringgit.

FORMOSA PRSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2016

The figures have not been audited

14. Comparison with previous quarter's results

For the continuing operations, the Group registered loss before tax of RM3.1 million (after excluding one-off gain on disposal of an associate of RM2.3 million) in Q1 2016 compared to profit before tax of RM10.5 million in the immediate preceding quarter mainly due to lower sales and loss on foreign exchange as a results of the weakening of the USD against Malaysia Ringgit.

15. Prospects for the current financial year

The Directors are mindful of the challenges ahead arising from the slowdown in global economic growth and the restrictive labour supply and policies which have resulted in higher operating costs. The Directors remain cautious on the business prospects and barring unforeseen circumstances, expect profitable results for the financial year ending 31 December 2016.

16. Deviation from profit forecast and profit guarantee

Not applicable.

17. Notes to the statement of comprehensive income (Continuing Operations)

	Individual		Cumulative	
	Current Quarter 31/3/2016 RM'000	Preceding Year Quarter 31/3/2015 RM'000	Current Quarter 31/3/2016 RM'000	Preceding Year Quarter 31/3/2015 RM'000
Profit for the period is arrived at after charging / (crediting):				
Income from short term funds	(508)	(563)	(508)	(563)
Interest income	(78)	(49)	(78)	(49)
Interest expenses	37	48	37	48
Depreciation and amortization	1,836	1,526	1,836	1,526
Net foreign exchange loss	8,297	212	8,297	212
Derivatives gain	(1,050)	(370)	(1,050)	(370)
Gain on disposal of an associate	(2,272)	-	(2,272)	-

FORMOSA PROSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2016

The figures have not been audited

18. Discontinued operations classified as held for sale

On 31 July 2015, the Company announced that it and a subsidiary company, Winmax Holdings Group Limited, had on 30 July 2015 entered into a Sale and Purchase Agreement (“SPA”) with Tonly International Limited to dispose of 5,000,000 ordinary shares of USD1.00 each representing the entire equity share capital of FP Group Limited (“FPG”) for a consideration of USD14,302,166 (equivalent to approximately RM59,353,988).

An analysis of the results of the discontinued operations is as follows:

	Individual		Cumulative	
	Current Quarter 31/3/2016 RM'000	Preceding Year Quarter 31/3/2015 RM'000	Current Quarter 31/3/2016 RM'000	Preceding Year Quarter 31/3/2015 RM'000
Revenue	-	37,115	-	37,115
Cost of sales	-	(32,119)	-	(32,119)
Gross profit	-	4,996	-	4,996
Other income	-	1,339	-	1,339
Distribution expenses	-	(1,724)	-	(1,724)
Administrative expenses	-	(1,061)	-	(1,061)
Other expenses	-	(2,682)	-	(2,682)
Profit from operations	-	868	-	868
Finance costs	-	(9)	-	(9)
Profit before tax	-	859	-	859
Tax expenses	-	-	-	-
Profit for the period	-	859	-	859

Included in profit before tax from discontinued operations are:

Interest income	-	(5)	-	(5)
Income from short term funds	-	(113)	-	(113)
Depreciation and amortisation	-	1,209	-	1,209
Foreign exchange loss	-	21	-	21

FORMOSA PRSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2016

The figures have not been audited

19. Taxation

	Individual		Cumulative	
	Current	Preceding Year	Current	Preceding Year
	Quarter	Quarter	Quarter	Quarter
	31/3/2016	31/3/2015	31/3/2016	31/3/2015
	RM'000	RM'000	RM'000	RM'000
In respect of current period:-				
- Income tax	297	34	297	34
- Deferred tax	(1,965)	(400)	(1,965)	(400)
In respect of prior year :-				
- Income tax				
- Deferred tax				
	<u>(1,668)</u>	<u>(366)</u>	<u>(1,668)</u>	<u>(366)</u>

20. Corporate proposals

There is no other outstanding corporate proposal as at the date of this report.

21. Group borrowings (interest bearing) and debt securities

The Group does not have any borrowings and debt securities as at 31 December 2015.

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 7 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2015 (31 December 2014: 3.0 sen) which was paid on 15 April 2016 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 31 March 2016.

FORMOSA PROSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2016

The figures have not been audited

24. Basic Earnings per share

	Individual		Cumulative	
	Current Quarter 31/3/2016	Preceding Year Quarter 31/3/2015	Current Quarter 31/3/2016	Preceding Year Quarter 31/3/2015
Net profit attributable to equity holders of the parent (RM'000)				
- continuing operations	793	(2,533)	793	(2,533)
- discontinued operations	-	859	-	859
	793	(1,674)	793	(1,674)
Weighted average number of shares ('000)	247,358	247,358	247,358	247,358
Basic earnings per share (sen)				
- continuing operations	0.3	(1.0)	0.3	(1.0)
- discontinued operations	-	0.3	-	0.3
	0.3	(0.7)	0.3	(0.7)

25. Realised and Unrealised Profits

	As At End Of Current Quarter 31/3/2016 RM'000	As At End Of Preceding Quarter 31/12/2015 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	80,208	95,709
- Unrealised	(8,018)	(361)
	72,190	95,348
Total share of retained profits from an associate:		
- Realised	-	1,227
- Unrealised	-	(259)
	-	968
Consolidation adjustments	72,190	96,316
	32,684	25,080
Total Group retained profits	104,874	121,396