

# FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)  
 INTERIM REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2016  
 (The figures have not been audited)

## CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual quarter		Cumulative quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding quarter
	30/09/2016 RM'000	30/09/2015 RM'000	30/09/2016 RM'000	30/09/2015 RM'000
Revenue	107,257	91,696	252,495	205,200
Cost of sales	(96,097)	(81,743)	(233,572)	(187,821)
Gross profit	11,160	9,953	18,923	17,379
Other income	3,865	10,831	21,647	16,243
Distribution costs	(3,755)	(2,903)	(10,303)	(8,232)
Administrative expenses	(2,431)	(2,920)	(6,884)	(6,816)
Other expenses	(1,450)	(5,048)	(11,009)	(9,554)
Profit from operations	7,389	9,913	12,374	9,020
Finance costs	(11)	(23)	(66)	(97)
Share of profit in an associate	-	1,715	-	2,256
Profit before tax	7,378	11,605	12,308	11,179
Tax expense	115	(2,983)	1,022	(2,875)
Profit from continuing operations	7,493	8,622	13,330	8,304
Discontinued operations				
Profit from discontinued operations	-	627	-	3,251
Profit for the financial period	7,493	9,249	13,330	11,555
Profits attributable to:				
Owners of the parent	7,348	9,045	11,176	10,333
Non-controlling interests	145	204	2,154	1,222
	7,493	9,249	13,330	11,555
Earnings per share (sen)				
Basic	3.0	3.7	4.5	4.2
Diluted	NA	NA	NA	NA

(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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INTERIM REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2016  
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## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual quarter		Cumulative quarter	
	Current year quarter 30/09/2016 RM'000	Preceding year corresponding quarter 30/9/2015 RM'000	Current year to date 30/09/2016 RM'000	Preceding year corresponding quarter 30/9/2015 RM'000
Profit for the financial period	7,493	9,249	13,330	11,555
<u>Other comprehensive income / (loss), net of tax</u>				
Currency translation difference	1,649	12,301	(782)	18,805
Total comprehensive income	<u>9,142</u>	<u>21,550</u>	<u>12,548</u>	<u>30,360</u>
Attributable to:				
Owners of the parent	8,400	16,199	11,194	21,250
Non-controlling interests	<u>742</u>	<u>5,351</u>	<u>1,354</u>	<u>9,110</u>
	<u>9,142</u>	<u>21,550</u>	<u>12,548</u>	<u>30,360</u>

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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/09/2016 RM'000	As at 31/12/2015 RM'000
<b>ASSETS</b>		
Non-current assets		
Property, plant and equipment	80,719	76,276
Prepaid land lease payment	17,433	17,672
Investment in an associate	-	32,504
	<b>98,152</b>	<b>126,452</b>
Current assets		
Inventories	32,893	24,994
Trade and other receivables	93,939	73,819
Current tax assets	1,293	53
Derivative financial instruments	-	214
Short term funds	127,776	105,710
Cash, bank balances and deposits	25,717	52,492
	<b>281,618</b>	<b>257,282</b>
<b>TOTAL ASSETS</b>	<b>379,770</b>	<b>383,734</b>
<b>EQUITY AND LIABILITIES</b>		
Equity		
Share capital	123,679	123,679
Reserves	123,020	129,141
	<b>246,699</b>	<b>252,820</b>
Equity attributable to equity holders of the Company	246,699	252,820
Non-controlling interests	34,031	32,677
<b>Total equity</b>	<b>280,730</b>	<b>285,497</b>
Non-current liabilities		
Deferred tax liabilities	843	1,493
Current liabilities		
Trade and other payables	97,376	93,757
Derivative financial instruments	821	-
Taxation	-	2,987
	<b>98,197</b>	<b>96,744</b>
<b>Total liabilities</b>	<b>99,040</b>	<b>98,237</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>379,770</b>	<b>383,734</b>
<b>Net assets per share attributable to owners of the parent (RM)</b>	<b>1.00</b>	<b>1.02</b>

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## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	30/09/2016 RM'000	30/09/2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax		
- continuing operations	12,308	11,179
- discontinued operations	-	3,251
Adjustments for non-cash items	2,396	3,378
Operating profit before working capital changes	14,704	17,808
Net changes in working capital	<u>(29,227)</u>	<u>(20,953)</u>
Cash used in operations	(14,523)	(3,145)
Other payments	(49)	(77)
Taxes paid	(3,854)	(1,312)
<b>Net cash used in operating activities</b>	<u>(18,426)</u>	<u>(4,534)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,499	1,454
Purchase of property, plant and equipment	(10,291)	(22,561)
Proceeds from disposal of subsidiaries	11,975	-
Proceeds from disposal of an associate	34,775	12,573
Proceeds from disposal of property, plant and equipment	39	528
<b>Net cash from / (used in) investing activities</b>	<u>37,997</u>	<u>(8,006)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid to non-controlling interests	-	(21,651)
Dividend paid	(17,315)	(7,421)
<b>Net cash used in financing activities</b>	<u>(17,315)</u>	<u>(29,072)</u>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>2,256</u>	<u>(41,612)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>		
As previously reported	158,202	149,131
Effect of exchange rate changes	(6,965)	16,192
	151,237	165,323
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	<u>153,493</u>	<u>123,711</u>

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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					
Balance as at 1 Jan 2016	123,679	994	1,259	5,492	121,396		252,820	32,677	285,497	
Total comprehensive income	-	-	-	18	11,176		11,194	1,354	12,548	
Dividend in respect of financial year 2015	-	-	-	-	(17,315)		(17,315)	-	(17,315)	
<b>Balance as at 30 September 2016</b>	<b>123,679</b>	<b>994</b>	<b>1,259</b>	<b>5,510</b>	<b>115,257</b>		<b>246,699</b>	<b>34,031</b>	<b>280,730</b>	
Balance as at 1 January 2015	123,679	994	1,259	8,503	109,439		243,874	43,550	287,424	
Total comprehensive income	-	-	-	10,917	10,333		21,250	9,110	30,360	
Dividend in respect of financial year 2014	-	-	-	-	(7,421)		(7,421)	(21,650)	(29,071)	
<b>Balance as at 30 September 2015</b>	<b>123,679</b>	<b>994</b>	<b>1,259</b>	<b>19,420</b>	<b>112,351</b>		<b>257,703</b>	<b>31,010</b>	<b>288,713</b>	

(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 PROSONIC

## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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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 30 SEPTEMBER 2016

The figures have not been audited

### 7. Dividend paid

	Current year to date RM'000	Preceding year to date RM'000
First interim single tier of 7.0 sen per ordinary share of RM0.50 each for the financial year ended 31 December 2015 (31 December 2014 : 3.0 sen per ordinary share)	17,315	7,421

### 8. Segmental reporting

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

	Malaysia RM'000	(Discontinued operations) China RM'000	UK RM'000	Elimination RM'000	Total RM'000
<b>9-month ended 30-9-2016</b>					
Revenue					
External	250,150	-	2,345	-	252,495
Inter-segment sales	1,310	-	-	(1,310)	-
Total revenue	251,460	-	2,345	(1,310)	252,495
Results					
Segment results	14,892	-	(2,522)	4	12,374
Finance cost	(66)	-	-	-	(66)
Profit before tax					12,308
Tax expense					1,022
Profit for the period					13,330
<b>9-month ended 30-9-2015</b>					
Revenue					
External	203,623	137,106	1,578	-	342,307
Inter-segment sales	785	11,982	-	(12,767)	-
Total revenue	204,408	149,088	1,578	(12,767)	342,307
Results					
Segment results	38,495	3,141	(638)	(28,702)	12,296
Finance cost	(96)	(26)	-	-	(122)
Share of result in an associate	2,256	-	-	-	2,256
Profit before tax					14,430
Tax expense					(2,875)
Profit for the period					11,555

As disclosed in Note 18 of this interim report, 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 30 SEPTEMBER 2016

The figures have not been audited

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### 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 30 September 2016 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

In respect of continuing operations, the Group registered 23% higher sales for 9-month ended 30 September 2016 at RM252.5 million from RM205.2 million. Nevertheless, the Group's profit before tax was lower at RM5.1 million (after excluding gain on disposal of an associate and subsidiaries totalling RM7.2 million) as compared to profit before tax of RM11.2 million in the previous year corresponding period mainly due to higher operating costs and loss on foreign exchange.

For Q3 2016, the Group registered higher sales by 17% at RM107.3 million from RM91.7 million. Nevertheless, profit before tax declined by 36% to RM7.4 million from RM11.6 million mainly due to higher operating costs and lower gain on foreign exchange.



# FORMOSA PROSONIC

## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2016

The figures have not been audited

### 14. Comparison with previous quarter's results

In respect of continuing operations, the Group registered profit before tax of RM7.4 million in Q3 2016 as compared to profit before tax of RM0.9 million (excluding gain on disposal of subsidiaries of RM4.9 million) in the immediate preceding quarter mainly due to higher sales and lower loss on foreign exchange.

### 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 and higher minimum wages 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 30/9/2016 RM'000	Preceding Year Quarter 30/9/2015 RM'000	Current Quarter 30/9/2016 RM'000	Preceding Year Quarter 30/9/2015 RM'000
Profit for the period is arrived at after charging / (crediting):				
Income from short term funds	(390)	(320)	(1,298)	(1,063)
Interest income	(53)	(45)	(201)	(151)
Interest expenses	5	17	49	77
Depreciation and amortization	1,929	1,674	5,637	4,831
Foreign exchange loss / (gain)	(3,506)	(4,490)	1,335	(5,393)
Derivatives (gain) / loss	1,590	-	1,036	(370)
Gain on disposal of subsidiaries	-	-	(4,945)	-
Gain on disposal of property, plant and equipment	(24)	-	(38)	39
Gain on disposal of an associate	-	-	(2,272)	-

# FORMOSA PROSONIC

## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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 30/9/2016 RM'000	Preceding Year Quarter 30/9/2015 RM'000	Current Quarter 30/9/2016 RM'000	Preceding Year Quarter 30/9/2015 RM'000
Revenue	-	61,745	-	149,088
Cost of sales	-	(54,498)	-	(131,590)
Gross profit	-	7,247	-	17,498
Other income	-	3,183	-	5,201
Distribution expenses	-	(3,748)	-	(7,586)
Administrative expenses	-	(1,669)	-	(4,543)
Other expenses	-	(4,378)	-	(7,293)
Profit from operations	-	635	-	3,277
Finance costs	-	(8)	-	(26)
Profit before tax	-	627	-	3,251
Tax expenses	-	-	-	-
Profit for the period	-	627	-	3,251

Included in profit before tax from discontinued operations are:

Interest income	-	-	-	(27)
Income from short term funds	-	(16)	-	(212)
Depreciation and amortisation	-	914	-	2,242
Foreign exchange gain	-	(2,012)	-	(2,573)

# FORMOSA PROSONIC

## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2016

The figures have not been audited

### 19. Taxation

	Individual		Cumulative	
	Current Quarter 30/9/2016 RM'000	Preceding Year Quarter 30/9/2015 RM'000	Current Quarter 30/9/2016 RM'000	Preceding Year Quarter 30/9/2015 RM'000
In respect of current period:-				
- Income tax	717	3,261	717	3,693
- Deferred tax	257	(278)	(650)	(818)
In respect of prior year :-				
- Income tax	(1,089)	-	(1,089)	-
- Deferred tax	-	-	-	-
	<b>(115)</b>	<b>2,983</b>	<b>(1,022)</b>	<b>2,875</b>

The effective tax rate of the Group for the current quarter and financial year to-date is lower than the statutory tax rate mainly due to certain items which are not taxable and the availability of investment tax allowances.

### 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 30 September 2016.

### 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.

The Directors have not recommended any dividend for the current quarter.

# FORMOSA PROSONIC

## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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### 24. Basic Earnings per share

	Individual		Cumulative	
	Current Quarter 30/9/2016	Preceding Year Quarter 30/9/2015	Current Quarter 30/9/2016	Preceding Year Quarter 30/9/2015
Net profit attributable to equity holders of the parent (RM'000)				
- continuing operations	7,348	8,418	11,176	7,082
- discontinued operations	-	627	-	3,251
	<b>7,348</b>	<b>9,045</b>	<b>11,176</b>	<b>10,333</b>
Weighted average number of shares ('000)	247,358	247,358	247,358	247,358
Basic earnings per share (sen)				
- continuing operations	3.0	3.4	4.5	2.9
- discontinued operations	-	0.3	-	1.3
	<b>3.0</b>	<b>3.7</b>	<b>4.5</b>	<b>4.2</b>

### 25. Realised and Unrealised Profits

	As At End Of Current Quarter 30/9/2016 RM'000	As At End Of Preceding Quarter 30/6/2016 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	87,932	80,797
- Unrealised	(3,195)	(3,600)
	84,737	77,197
Consolidation adjustments	30,520	30,712
Total Group retained profits	<b>115,257</b>	<b>107,909</b>