

# FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)  
 INTERIM REPORT FOR THE YEAR ENDED 31 DECEMBER 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
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
Revenue	91,327	104,808	343,822	310,008
Cost of sales	(84,622)	(90,865)	(318,194)	(278,686)
Gross profit	6,705	13,943	25,628	31,322
Other income	12,368	18,899	34,015	35,142
Distribution costs	(2,212)	(2,776)	(12,515)	(11,008)
Administrative expenses	(4,616)	(3,068)	(11,500)	(9,884)
Other expenses	(8,422)	(17,277)	(19,431)	(26,831)
<b>Profit from operations</b>	<b>3,823</b>	<b>9,721</b>	<b>16,197</b>	<b>18,741</b>
Finance costs	(37)	(44)	(103)	(141)
Share of profit in an associate	-	788	-	3,044
<b>Profit before tax</b>	<b>3,786</b>	<b>10,465</b>	<b>16,094</b>	<b>21,644</b>
Tax expense	(1,346)	(2,623)	(324)	(5,498)
<b>Profit from continuing operations</b>	<b>2,440</b>	<b>7,842</b>	<b>15,770</b>	<b>16,146</b>
<b>Discontinued operations</b>				
Profit from discontinued operations	-	2,682	-	5,933
<b>Profit for the financial year</b>	<b>2,440</b>	<b>10,524</b>	<b>15,770</b>	<b>22,079</b>
<b>Profits attributable to:</b>				
Owners of the parent	2,367	9,032	13,543	19,365
Non-controlling interests	73	1,492	2,227	2,714
	<b>2,440</b>	<b>10,524</b>	<b>15,770</b>	<b>22,079</b>
<b>Earnings per share (sen)</b>				
Basic	1.0	3.6	5.5	7.8
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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## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual quarter		Cumulative quarter	
	Current year quarter 31/12/2016 RM'000	Preceding year corresponding quarter 31/12/2015 RM'000	Current year to date 31/12/2016 RM'000	Preceding year corresponding quarter 31/12/2015 RM'000
<b>Profit for the financial year</b>	<b>2,440</b>	<b>10,524</b>	<b>15,770</b>	<b>22,079</b>
<u>Other comprehensive income / (loss), net of tax</u>				
Currency translation difference	4,835	690	4,053	19,495
<b>Total comprehensive income</b>	<b>7,275</b>	<b>11,214</b>	<b>19,823</b>	<b>41,574</b>
<b>Attributable to:</b>				
Owners of the parent	5,204	9,574	16,398	30,796
Non-controlling interests	2,071	1,667	3,425	10,778
	<b>7,275</b>	<b>11,214</b>	<b>19,823</b>	<b>41,574</b>

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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31/12/2016 RM'000	As at 31/12/2015 RM'000
<b>ASSETS</b>		
Non-current assets		
Property, plant and equipment	87,379	76,276
Prepaid land lease payment	17,353	17,672
Investment in an associate	-	32,504
	<b>104,732</b>	<b>126,452</b>
Current assets		
Inventories	29,638	24,994
Trade and other receivables	70,198	73,819
Current tax assets	1,321	53
Derivative financial instruments	-	214
Short term funds	143,960	105,710
Cash, bank balances and deposits	26,679	52,492
	<b>271,796</b>	<b>257,282</b>
<b>TOTAL ASSETS</b>	<b>376,528</b>	<b>383,734</b>
<b>EQUITY AND LIABILITIES</b>		
Equity		
Share capital	123,679	123,679
Reserves	128,224	129,141
	<b>251,903</b>	<b>252,820</b>
Equity attributable to equity holders of the Company	<b>251,903</b>	<b>252,820</b>
Non-controlling interests	36,102	32,677
Total equity	<b>288,005</b>	<b>285,497</b>
Non-current liabilities		
Deferred tax liabilities	2,231	1,493
Current liabilities		
Trade and other payables	81,742	93,757
Derivative financial instruments	4,550	-
Taxation	-	2,987
	<b>86,292</b>	<b>96,744</b>
Total liabilities	<b>88,523</b>	<b>98,237</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>376,528</b>	<b>383,734</b>
Net assets per share attributable to owners of the parent (RM)	1.02	1.02

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## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	31/12/2016 RM'000	31/12/2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax		
- continuing operations	16,094	21,644
- discontinued operations	-	5,933
Adjustments for non-cash items	2,653	3,864
Operating profit before working capital changes	18,747	31,441
Net changes in working capital	(18,648)	(5,575)
Cash from operations	99	25,866
Other payments	(55)	(87)
Taxes paid	(3,841)	(1,425)
<b>Net cash (used in) / from operating activities</b>	<b>(3,797)</b>	<b>24,354</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	2,083	1,816
Purchase of property, plant and equipment	(18,960)	(24,607)
Proceeds from disposal of subsidiaries	11,975	27,598
Proceeds from disposal of an associate	34,775	-
Proceeds from disposal of property, plant and equipment	89	618
<b>Net cash from investing activities</b>	<b>29,962</b>	<b>5,425</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid to non-controlling interests	-	(21,650)
Dividend paid	(17,315)	(7,421)
<b>Net cash used in financing activities</b>	<b>(17,315)</b>	<b>(29,071)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>8,850</b>	<b>708</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>		
As previously reported	158,202	149,131
Effect of exchange rate changes	3,587	8,362
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<b>161,789</b>	<b>157,493</b>
	<b>170,639</b>	<b>158,201</b>

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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RM'000	Non-distributable				Distributable		Equity attributable to equity holders of the parent RM'000	Non- controlling interests RM'000	Total equity 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				
Balance as at 1 Jan 2016	123,679	994	1,259	5,492	121,396	252,820	32,677	285,497		
Total comprehensive income	-	-	-	2,855	13,543	16,398	3,425	19,823		
Dividend in respect of financial year 2015	-	-	-	-	(17,315)	(17,315)	-	(17,315)		
Balance as at 31 December 2016	123,679	994	1,259	8,347	117,624	251,903	36,102	288,005		
Balance as at 1 January 2015	123,679	994	1,259	8,503	109,440	243,875	43,549	287,424		
Total comprehensive income	-	-	-	(3,011)	19,365	16,354	10,778	27,132		
Acquisition of shares in a subsidiary from NCI	-	-	-	-	12	12	-	12		
Dividend in respect of financial year 2014	-	-	-	-	(7,421)	(7,421)	(21,650)	(29,071)		
Balance as at 31 December 2015	123,679	994	1,259	5,492	121,396	252,820	32,677	285,497		

(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 31 DECEMBER 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.

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## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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 share for the financial year ended 31 December 2015 (31 December 2014: 3.0 sen per 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>12-month ended 31-12-2016</b>					
Revenue					
External	340,607	-	3,215	-	343,822
Inter-segment sales	1,647	-	-	(1,647)	-
Total revenue	<u>342,254</u>	<u>-</u>	<u>3,215</u>	<u>(1,647)</u>	<u>343,822</u>
Results					
Segment results	20,645	-	(4,459)	11	16,197
Finance cost	(78)	-	(25)	-	(103)
Profit before tax					16,094
Tax expense					(324)
Profit for the year					<u>15,770</u>
<b>12-month ended 31-12-2015</b>					
Revenue					
External	307,226	137,106	2,782	-	447,114
Inter-segment sales	1,094	11,982	-	(13,076)	-
Total revenue	<u>308,320</u>	<u>149,088</u>	<u>2,782</u>	<u>(13,076)</u>	<u>447,114</u>
Results					
Segment results	47,150	6,817	(1,347)	(27,920)	24,700
Finance cost	(111)	(27)	(29)	-	(167)
Share of result in an associate	3,044	-	-	-	3,044
Profit before tax					27,577
Tax expense					(5,498)
Profit for the year					<u>22,079</u>

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.

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

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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 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 shares 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 and for the year ended 31 December 2016, the Group's sales increased by 10.9% to RM343.8 million from RM310.0 million in the previous year. Nevertheless, the Group's profit before tax was lower at RM8.9 million (after excluding gain on disposal of an associate and subsidiaries totalling RM7.2 million) as compared to profit before tax of RM21.6 million in the previous year mainly due to higher operating costs and lower foreign exchange gain.

For Q4 2016, the Group's sales decreased by 12.9% to RM91.3 million from RM104.8 million in the previous year's corresponding quarter. Coupled with higher operating cost, these have resulted in lower profit before tax at RM3.8 million as compared to RM10.5 million, a drop of 63.8%.



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

The figures have not been audited

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

The Group's profit before tax decreased to RM3.80 million in Q4 2016 as compared to RM7.4 million in the immediate preceding quarter mainly due to lower sales and higher operating cost.

### 15. Prospects for the current financial year

The Directors are mindful of the challenges ahead arising from the sluggish global economic growth and the intense market competition. On the local front, the newly introduced Bank Negara's foreign currency measures in last December, and the still restrictive labour supply and policies have all given rise to tough operating environments. The Directors remain cautious on the business prospects and barring unforeseen circumstances, expect profitable results for the financial year ending 31 December 2017.

### 16. Deviation from profit forecast and profit guarantee

Not applicable.

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

	Individual		Cumulative	
	Current Quarter 31/12/2016 RM'000	Preceding Year Quarter 31/12/2015 RM'000	Current Quarter 31/12/2016 RM'000	Preceding Year Quarter 31/12/2015 RM'000
Profit for the period is arrived at after charging / (crediting):				
Income from short term funds	(555)	(312)	(1,853)	(1,375)
Interest income	(29)	(50)	(230)	(201)
Interest expenses	6	10	55	87
Depreciation and amortization	2,158	1,797	7,795	6,628
Foreign exchange loss / (gain)	(3,273)	(526)	(1,939)	(5,919)
Derivatives (gain) / loss	3,729	(214)	4,764	(584)
Gain on disposal of subsidiaries	(96)	(876)	(5,041)	(876)
Gain on disposal of property, plant and equipment	(49)	(90)	(87)	(51)
Gain on disposal of an associate	-	-	(2,272)	-
PPE written off	2	-	2	-

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## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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 31/12/2016 RM'000	Preceding Year Quarter 31/12/2015 RM'000	Current Quarter 31/12/2016 RM'000	Preceding Year Quarter 31/12/2015 RM'000
Revenue	-	-	-	149,088
Cost of sales	-	-	-	(131,590)
Gross profit	-	-	-	17,498
Other income	-	-	-	5,201
Distribution expenses	-	(369)	-	(7,956)
Administrative expenses	-	-	-	(4,543)
Other expenses	-	3,051	-	(4,241)
Profit from operations	-	2,682	-	5,959
Finance costs	-	-	-	(26)
Profit before tax	-	2,682	-	5,933
Tax expenses	-	-	-	-
Profit for the year	-	2,682	-	5,933

Included in profit before tax from discontinued operations are:

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

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

The figures have not been audited

### 19. Taxation

	Individual		Cumulative	
	Current	Preceding Year	Current	Preceding Year
	Quarter	Quarter	Quarter	Quarter
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
In respect of current period:-				
- Income tax	(39)	2,124	678	5,817
- Deferred tax	1,187	235	537	(583)
In respect of prior year :-				
- Income tax	(3)	(73)	(1,092)	(73)
- Deferred tax	201	337	201	337
	<u>1,346</u>	<u>2,623</u>	<u>324</u>	<u>5,498</u>

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 31 December 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 6.0 sen per share in respect of the financial year ended 31 December 2016 (31 December 2015: 7.0 sen per share).

The dividend will be payable on 18 April 2017 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 31 March 2017.

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

The figures have not been audited

### 24. Basic Earnings per share

	Individual		Cumulative	
	Current Quarter 31/12/2016	Preceding Year Quarter 31/12/2015	Current Quarter 31/12/2016	Preceding Year Quarter 31/12/2015
Net profit attributable to equity holders of the parent (RM'000)				
- continuing operations	2,367	6,350	13,543	13,432
- discontinued operations	-	2,682	-	5,933
	<b>2,367</b>	<b>9,032</b>	<b>13,543</b>	<b>19,365</b>
Weighted average number of shares ('000)	247,358	247,358	247,358	247,358
Basic earnings per share (sen)				
- continuing operations	1.0	2.6	5.5	5.4
- discontinued operations	-	1.0	-	2.4
	<b>1.0</b>	<b>3.6</b>	<b>5.5</b>	<b>7.8</b>

### 25. Realised and Unrealised Profits

	As At End Of Current Quarter 31/12/2016 RM'000	As At End Of Preceding Quarter 30/9/2016 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	86,882	87,932
- Unrealised	(339)	(3,195)
	86,543	84,737
Consolidation adjustments	31,081	30,520
Total Group retained profits	<b>117,624</b>	<b>115,257</b>