

FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
 INTERIM REPORT FOR THE PERIOD ENDED 31 MARCH 2017
 (The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual quarter		Cumulative quarter	
	Current year quarter 31/03/2017 RM'000	Preceding year corresponding quarter 31/03/2016 RM'000	Current year to date 31/03/2017 RM'000	Preceding year corresponding quarter 31/03/2016 RM'000
Revenue	75,525	69,171	75,525	69,171
Cost of sales	(66,421)	(64,178)	(66,421)	(64,178)
Gross profit	9,104	4,993	9,104	4,993
Other income	10,215	12,298	10,215	12,298
Distribution costs	(2,904)	(2,910)	(2,904)	(2,910)
Administrative expenses	(2,547)	(1,960)	(2,547)	(1,960)
Other expenses	(3,118)	(13,235)	(3,118)	(13,235)
Profit from operations	10,750	(814)	10,750	(814)
Finance costs	(33)	(43)	(33)	(43)
Share of profit in an associate	-	-	-	-
Profit before tax	10,717	(857)	10,717	(857)
Tax expense	(1,721)	1,668	(1,721)	1,668
Profit for the financial period	8,996	811	8,996	811
Profits attributable to:				
Owners of the parent	8,940	793	8,940	793
Non-controlling interests	56	18	56	18
	8,996	811	8,996	811
Earnings per share (sen)				
Basic	3.6	0.3	3.6	0.3
Diluted	NA	NA	NA	NA

(The notes set out on pages 6 to 11 form an integral part of and should be read in conjunction with this interim financial report.)

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INTERIM REPORT FOR THE PERIOD ENDED 31 MARCH 2017

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual quarter		Cumulative quarter	
	Current year quarter 31/03/2017 RM'000	Preceding year corresponding quarter 31/03/2016 RM'000	Current year to date 31/03/2017 RM'000	Preceding year corresponding quarter 31/03/2016 RM'000
Profit for the financial period	8,996	811	8,996	811
<u>Other comprehensive income / (loss), net of tax</u>				
Currency translation difference	(880)	(4,463)	(880)	(4,463)
Total comprehensive income	<u>8,116</u>	<u>(3,652)</u>	<u>8,116</u>	<u>(3,652)</u>
Attributable to:				
Owners of the parent	8,426	(1,598)	8,426	(1,598)
Non-controlling interests	(310)	(2,054)	(310)	(2,054)
	<u>8,116</u>	<u>(3,652)</u>	<u>8,116</u>	<u>(3,652)</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31/03/2017 RM'000	As at 31/12/2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	85,781	87,379
Prepaid land lease payment	17,274	17,353
	103,055	104,732
Current assets		
Inventories	36,347	29,638
Trade and other receivables	61,329	70,198
Current tax assets	972	1,321
Short term funds	146,386	143,960
Cash, bank balances and deposits	22,209	26,679
	267,243	271,796
TOTAL ASSETS	370,298	376,528
EQUITY AND LIABILITIES		
Equity		
Share capital	123,679	123,679
Reserves	121,809	128,224
	245,488	251,903
Equity attributable to equity holders of the Company	245,488	251,903
Non-controlling interests	35,792	36,102
Total equity	281,280	288,005
Non-current liabilities		
Deferred tax liabilities	3,439	2,231
Current liabilities		
Trade and other payables	68,824	81,742
Derivative financial instruments	1,914	4,550
Dividend Payable	14,841	-
	85,579	86,292
Total liabilities	89,018	88,523
TOTAL EQUITY AND LIABILITIES	370,298	376,528
Net assets per share attributable to owners of the parent (RM)	0.99	1.02

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	31/03/2017 RM'000	31/03/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax		
- continuing operations	10,717	(857)
Adjustments for non-cash items	(4,918)	7,269
Operating profit before working capital changes	5,799	6,412
Net changes in working capital	(13,323)	(3,794)
Cash (used in) / from operations	(7,524)	2,618
Other payments	(23)	(37)
Taxes paid	(164)	(291)
Net cash (used in) / from operating activities	(7,711)	2,290
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	740	586
Purchase of property, plant and equipment	(817)	(2,223)
Proceeds from disposal of subsidiaries	-	11,975
Proceeds from disposal of an associate	-	34,775
Proceeds from disposal of property, plant and equipment	500	-
Net cash from investing activities	423	45,113
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	-
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(7,288)	47,403
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD		
As previously reported	170,639	158,202
Effect of exchange rate changes	5,244	(14,622)
	175,883	143,580
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	168,595	190,983

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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	Retained profits	Equity attributable to equity holders of the parent	RM'000			
Balance as at 1 Jan 2017	123,679	994	1,259	8,347	117,624	251,903	36,102	288,005		
Total comprehensive income	-	-	-	(514)	8,940	8,426	(310)	8,116		
Dividend in respect of financial year 2016	-	-	-	-	(14,841)	(14,841)	-	(14,841)		
Balance as at 31 March 2017	123,679	994	1,259	7,833	111,723	245,488	35,792	281,280		
Balance as at 1 January 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)		
Acquisition of shares in a subsidiary from NCI	-	-	-	-	-	-	-	-		
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		

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2017

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 2016.

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 2016.

2. Audit qualification

The audit report on the financial statements for the financial year ended 31 December 2016 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 MARCH 2017

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7. Dividend paid

No dividends were paid during the financial quarter ended 31 March 2017.

8. Segmental reporting

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

	Malaysia RM'000	UK RM'000	Elimination RM'000	Total RM'000
3-month ended 31-3-2017				
Revenue				
External	74,781	744	-	75,525
Inter-segment sales	374	-	(374)	-
Total revenue	<u>75,155</u>	<u>744</u>	<u>(374)</u>	<u>75,525</u>
Results				
Segment results	10,969	(198)	(21)	10,750
Finance cost	(33)	-	-	(33)
Profit before tax				<u>10,717</u>
Tax expense				<u>(1,721)</u>
Profit for the period				<u>8,996</u>
3-month ended 31-3-2016				
Revenue				
External	68,661	510	-	69,171
Inter-segment sales	183	-	(183)	-
Total revenue	<u>68,844</u>	<u>510</u>	<u>(183)</u>	<u>69,171</u>
Results				
Segment results	(921)	75	32	(814)
Finance cost	(43)	-	-	(43)
Share of result in an associate		-	-	-
Loss before tax				<u>(857)</u>
Tax expense				<u>1,668</u>
Profit for the period				<u>811</u>

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2017

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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 31 March 2017 that have not been reflected in the interim report.

11. Changes in composition of the Group

There was no change to the composition of the Group during the financial period under review including business combination, acquisition or disposal of subsidiaries and long-term investments.

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

The Group registered profit before tax of RM10.7 million in the Q1 2017 compared to loss before tax of RM0.9 million in the previous year's corresponding quarter on the back of higher sales and gain on foreign exchange. Sales improved by 9.1% to RM75.5 million in Q1 2017 from RM69.2 million due to higher orders from customers.

14. Comparison with previous quarter's results

The Group's profit before tax increased to RM10.7 million in Q1 2017 compared to RM3.8 million in the immediate preceding quarter mainly due to the gain on foreign exchange and the lower loss registered by the UK operations.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2017

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15. Prospects for the current financial year

The Directors continue to be wary of the current economic climate, which see the sluggish global economic growth and intensified competition. In the face of these challenges, the Group will persevere in its efforts to deliver satisfactory results through execution of key strategies and pursue cost saving initiatives and improve operational efficiencies and effectiveness. Barring unforeseen circumstances, the Group expects 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

	Individual		Cumulative	
	Current Quarter 31/3/2017 RM'000	Preceding Year Quarter 31/3/2016 RM'000	Current Quarter 31/3/2017 RM'000	Preceding Year Quarter 31/3/2016 RM'000
Profit for the period is arrived at after charging / (crediting):				
Income from short term funds	(708)	(508)	(708)	(508)
Interest income	(32)	(78)	(32)	(78)
Interest expenses	23	37	23	37
Depreciation and amortization	2,068	1,836	2,068	1,836
Foreign exchange loss / (gain)	(638)	8,297	(638)	8,297
Derivatives (gain) / loss	(2,636)	(1,050)	(2,636)	(1,050)
Gain on disposal of property, plant and equipment	(301)	-	(301)	-
Gain on disposal of an associate	-	(2,272)	-	(2,272)
PPE written off	224	-	224	-

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2017

The figures have not been audited

18. Taxation

	Individual		Cumulative	
	Current	Preceding Year	Current	Preceding Year
	Quarter	Quarter	Quarter	Quarter
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
	RM'000	RM'000	RM'000	RM'000
In respect of current period:-				
- Income tax	513	297	513	297
- Deferred tax	1,208	(1,965)	1,208	(1,965)
	<u>1,721</u>	<u>(1,668)</u>	<u>1,721</u>	<u>(1,668)</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.

19. Corporate proposals

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

20. Group borrowings (interest bearing) and debt securities

The Group does not have any borrowings and debt securities as at 31 March 2017.

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 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 was paid 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 MARCH 2017

The figures have not been audited

23. Basic Earnings per share

	Individual		Cumulative	
	Current Quarter 31/3/2017	Preceding Year Quarter 31/3/2016	Current Quarter 31/3/2017	Preceding Year Quarter 31/3/2016
Net profit attributable to equity holders of the parent (RM'000)	8,940	793	8,940	793
Weighted average number of shares ('000)	247,358	247,358	247,358	247,358
Basic earnings per share (sen)	3.6	0.3	3.6	0.3

24. Realised and Unrealised Profits

	As At End Of Current Quarter 31/3/2017 RM'000	As At End Of Preceding Quarter 31/12/2016 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	79,188	86,882
- Unrealised	1,531	(339)
	80,719	86,543
Consolidation adjustments	31,004	31,081
Total Group retained profits	111,723	117,624