

# FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)  
 INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2017  
 (The figures have not been audited)

## CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual quarter		Cumulative quarter	
	Current year quarter 30/06/2017 RM'000	Preceding year corresponding quarter 30/06/2016 RM'000	Current year to date 30/06/2017 RM'000	Preceding year corresponding quarter 30/06/2016 RM'000
<b>Revenue</b>	<b>102,505</b>	76,067	<b>178,030</b>	145,238
Cost of sales	<b>(86,998)</b>	(73,297)	<b>(153,419)</b>	(137,475)
Gross profit	<b>15,507</b>	2,770	<b>24,611</b>	7,763
Other income	<b>4,165</b>	5,484	<b>14,380</b>	17,782
Distribution costs	<b>(2,902)</b>	(3,638)	<b>(5,806)</b>	(6,548)
Administrative expenses	<b>(2,275)</b>	(2,493)	<b>(4,822)</b>	(4,453)
Other expenses	<b>(3,851)</b>	3,676	<b>(6,969)</b>	(9,559)
<b>Profit from operations</b>	<b>10,644</b>	5,799	<b>21,394</b>	4,985
Finance costs	<b>(15)</b>	(12)	<b>(48)</b>	(55)
<b>Profit before tax</b>	<b>10,629</b>	5,787	<b>21,346</b>	4,930
Tax expense	<b>(2,172)</b>	(761)	<b>(3,893)</b>	907
<b>Profit for the financial period</b>	<b>8,457</b>	5,026	<b>17,453</b>	5,837
<b>Profits attributable to:</b>				
Owners of the parent	<b>8,416</b>	3,035	<b>17,356</b>	3,828
Non-controlling interests	<b>41</b>	1,991	<b>97</b>	2,009
	<b>8,457</b>	5,026	<b>17,453</b>	5,837
<b>Earnings per share (sen)</b>				
Basic	<b>3.4</b>	1.2	<b>7.0</b>	1.5
Diluted	<b>NA</b>	NA	<b>NA</b>	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 30 JUNE 2017

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## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual quarter		Cumulative quarter	
	Current year quarter 30/06/2017 RM'000	Preceding year corresponding quarter 30/06/2016 RM'000	Current year to date 30/06/2017 RM'000	Preceding year corresponding quarter 30/06/2016 RM'000
<b>Profit for the financial period</b>	<b>8,457</b>	<b>5,026</b>	<b>17,453</b>	<b>5,837</b>
<u>Other comprehensive income / (loss), net of tax</u>				
Currency translation difference	(2,042)	2,032	(2,922)	(2,431)
<b>Total comprehensive income</b>	<b>6,415</b>	<b>7,058</b>	<b>14,531</b>	<b>3,406</b>
<b>Attributable to:</b>				
Owners of the parent	7,127	4,392	15,553	2,794
Non-controlling interests	(712)	2,666	(1,022)	612
	<b>6,415</b>	<b>7,058</b>	<b>14,531</b>	<b>3,406</b>

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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/06/2017 RM'000	As at 31/12/2016 RM'000
<b>ASSETS</b>		
Non-current assets		
Property, plant and equipment	85,068	87,379
Prepaid land lease payment	17,194	17,353
	<b>102,262</b>	104,732
Current assets		
Inventories	45,609	29,638
Trade and other receivables	82,482	70,198
Current tax assets	54	1,321
Short term funds	131,247	143,960
Cash, bank balances and deposits	24,095	26,679
	<b>283,487</b>	271,796
<b>TOTAL ASSETS</b>	<b>385,749</b>	<b>376,528</b>
<b>EQUITY AND LIABILITIES</b>		
Equity		
Share capital	123,679	123,679
Reserves	128,936	128,224
	<b>252,615</b>	251,903
Equity attributable to equity holders of the Company	<b>252,615</b>	251,903
Non-controlling interests	35,080	36,102
Total equity	<b>287,695</b>	288,005
Non-current liabilities		
Deferred tax liabilities	2,964	2,231
Current liabilities		
Trade and other payables	93,312	81,742
Derivative financial instruments	294	4,550
Current tax liabilities	1,484	-
	<b>95,090</b>	86,292
Total liabilities	<b>98,054</b>	88,523
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>385,749</b>	<b>376,528</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

	30/06/2017 RM'000	30/06/2016 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	21,346	4,930
Adjustments for non-cash items	(2,331)	(646)
Operating profit before working capital changes	19,015	4,284
Net changes in working capital	(20,248)	(7,658)
Cash used in operations	(1,233)	(3,374)
Other payments	(28)	(44)
Taxes paid	(409)	(727)
<b>Net cash used in operating activities</b>	<b>(1,670)</b>	<b>(4,145)</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,421	1,056
Purchase of property, plant and equipment	(2,021)	(6,207)
Proceeds from disposal of subsidiaries	-	11,975
Proceeds from disposal of an associate	-	34,775
Proceeds from disposal of property, plant and equipment	707	14
<b>Net cash from investing activities</b>	<b>107</b>	<b>41,613</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(14,841)	(17,315)
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(16,404)</b>	<b>20,153</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>		
As previously reported	170,639	158,202
Effect of exchange rate changes	1,107	(6,959)
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	<b>171,746</b>	<b>151,243</b>
	<b>155,342</b>	<b>171,396</b>

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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Non-distributable				Distributable			Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
		Share premium	Capital reserve	Exchange fluctuation reserve	Retained profits	RM'000	RM'000	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 / (loss)	-	-	-	(1,803)	17,356	15,553	(1,022)	14,531			
Dividend in respect of financial year 2016	-	-	-	-	(14,841)	(14,841)	-	(14,841)			
Balance as at 30 Jun 2017	123,679	994	1,259	6,544	120,139	252,615	35,080	287,695			
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)	-	-	-	(1,034)	3,828	2,794	612	3,406			
Dividend in respect of financial year 2015	-	-	-	-	(17,315)	(17,315)	-	(17,315)			
Balance as at 30 June 2016	123,679	994	1,259	4,458	107,909	238,299	33,289	271,588			

(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)

# FORMOSA PROSONIC

## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017

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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 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.

# FORMOSA PROSONIC

## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017

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 6.0 sen per ordinary share for the financial year ended 31 December 2016 (31 December 2015 : 7.0 sen per ordinary share)	<b>14,841</b>	17,315

### 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
<b>6-month ended 30-6-2017</b>				
Revenue				
External	176,606	1,424	-	178,030
Inter-segment sales	636	-	(636)	-
Total revenue	<b>177,242</b>	<b>1,424</b>	<b>(636)</b>	<b>178,030</b>
Results				
Segment results	21,355	27	12	21,394
Finance cost	(48)	-	-	(48)
Profit before tax				<b>21,346</b>
Tax expense				<b>(3,893)</b>
Profit for the period				<b>17,453</b>
<b>6-month ended 30-6-2016</b>				
Revenue				
External	144,176	1,062	-	145,238
Inter-segment sales	896	-	(896)	-
Total revenue	<b>145,072</b>	<b>1,062</b>	<b>(896)</b>	<b>145,238</b>
Results				
Segment results	6,752	(1,817)	50	4,985
Finance cost	(55)	-	-	(55)
Profit before tax				<b>4,930</b>
Tax expense				<b>907</b>
Profit for the period				<b>5,837</b>

# FORMOSA PROSONIC

## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017

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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 30 June 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 RM21.3 million for 1H 2017 compared to RM4.9 million (including total gain on disposal of an associate and subsidiaries of RM7.2 million) in the previous year's corresponding period mainly due to higher sales and gain on foreign exchange and absence of loss by its UK subsidiary. Sales improved by 22.6% to RM178.0 million in 1H 2017 from RM145.2 million due to higher orders from customers.

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

Despite sales increased to RM102.5 million in Q2 2017 from RM75.5 million in the immediate preceding quarter, the Group's profit before tax decreased marginally to RM10.6 million in Q2 2017 compared to RM10.7 million in the immediate preceding quarter mainly due to the weakened USD against the Ringgit.



# FORMOSA PROSONIC

## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017

The figures have not been audited

### 15. Prospects for the current financial year

For the current financial year, the Directors foresee an increase in production due to healthy orders from the customers. Barring unforeseen circumstances and subject to fluctuations in material costs and foreign currencies, the Group expects better performance 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 30/6/2017 RM'000	Preceding Year Quarter 30/6/2016 RM'000	Current Quarter 30/6/2017 RM'000	Preceding Year Quarter 30/6/2016 RM'000
Profit for the period is arrived at after charging / (crediting):				
Income from short term funds	(655)	(401)	(1,363)	(908)
Interest income	(26)	(69)	(58)	(148)
Interest expenses	5	6	28	44
Depreciation and amortization	2,013	1,873	4,081	3,708
Foreign exchange loss / (gain)	1,804	(3,456)	1,166	4,841
Derivatives (gain) / loss	(1,620)	496	(4,256)	(554)
Gain on disposal of subsidiaries	-	(4,931)	-	(4,931)
Gain on disposal of property, plant and equipment	(207)	(14)	(508)	(14)
Gain on disposal of an associate	-	-	-	(2,272)
PPE written off	-	-	224	-

# FORMOSA PROSONIC

## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017

The figures have not been audited

### 18. Taxation

	Individual		Cumulative	
	Current Quarter 30/6/2017 RM'000	Preceding Year Quarter 30/6/2016 RM'000	Current Quarter 30/6/2017 RM'000	Preceding Year Quarter 30/6/2016 RM'000
In respect of current period:-				
- Income tax	2,647	(297)	3,160	-
- Deferred tax	(475)	1,058	733	(907)
	<u>2,172</u>	<u>761</u>	<u>3,893</u>	<u>(907)</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 30 June 2017.

### 21. Material litigation

There was no pending material litigation since the last annual balance sheet date.

### 22. Dividend

The Group paid 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 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).

The Group has not recommended any dividend for the current quarter.

# FORMOSA PROSONIC

## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017

The figures have not been audited

### 23. Basic Earnings per share

	Individual		Cumulative	
	Current Quarter 30/6/2017	Preceding Year Quarter 30/6/2016	Current Quarter 30/6/2017	Preceding Year Quarter 30/6/2016
Net profit attributable to equity holders of the parent (RM'000)	8,416	3,035	17,356	3,828
Weighted average number of shares ('000)	247,358	247,358	247,358	247,358
Basic earnings per share (sen)	3.4	1.2	7.0	1.5

### 24. Realised and Unrealised Profits

	As At End Of Current Quarter 30/6/2017 RM'000	As At End Of Preceding Quarter 31/3/2017 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	90,199	79,188
- Unrealised	(1,056)	1,531
	89,143	80,719
Consolidation adjustments	30,996	31,004
Total Group retained profits	120,139	111,723