

# FORMOSA PROSONIC

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

## CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual quarter		Cumulative quarter	
	Current year quarter 30/09/2017 RM'000	Preceding year corresponding quarter 30/09/2016 RM'000	Current year to date 30/09/2017 RM'000	Preceding year corresponding quarter 30/09/2016 RM'000
<b>Revenue</b>	<b>153,297</b>	<b>107,257</b>	<b>331,327</b>	<b>252,495</b>
Cost of sales	<u>(132,155)</u>	<u>(96,097)</u>	<u>(285,574)</u>	<u>(233,572)</u>
Gross profit	<b>21,142</b>	<b>11,160</b>	<b>45,753</b>	<b>18,923</b>
Other income	<b>2,419</b>	<b>3,865</b>	<b>16,799</b>	<b>21,647</b>
Distribution costs	<u>(3,251)</u>	<u>(3,755)</u>	<u>(9,057)</u>	<u>(10,303)</u>
Administrative expenses	<u>(2,266)</u>	<u>(2,431)</u>	<u>(7,088)</u>	<u>(6,884)</u>
Other expenses	<u>(1,368)</u>	<u>(1,450)</u>	<u>(8,337)</u>	<u>(11,009)</u>
<b>Profit from operations</b>	<b>16,676</b>	<b>7,389</b>	<b>38,070</b>	<b>12,374</b>
Finance costs	<u>(7)</u>	<u>(11)</u>	<u>(55)</u>	<u>(66)</u>
<b>Profit before tax</b>	<b>16,669</b>	<b>7,378</b>	<b>38,015</b>	<b>12,308</b>
Tax expense	<u>(2,283)</u>	<u>115</u>	<u>(6,176)</u>	<u>1,022</u>
<b>Profit for the financial period</b>	<b><u>14,386</u></b>	<b><u>7,493</u></b>	<b><u>31,839</u></b>	<b><u>13,330</u></b>
<b>Profits attributable to:</b>				
Owners of the parent	<b>14,575</b>	<b>7,348</b>	<b>31,931</b>	<b>11,176</b>
Non-controlling interests	<u>(189)</u>	<u>145</u>	<u>(92)</u>	<u>2,154</u>
	<b><u>14,386</u></b>	<b><u>7,493</u></b>	<b><u>31,839</u></b>	<b><u>13,330</u></b>
<b>Earnings per share (sen)</b>				
Basic	<u>5.9</u>	<u>3.0</u>	<u>12.9</u>	<u>4.5</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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INTERIM REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2017  
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## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual quarter		Cumulative quarter	
	Current year quarter 30/09/2017 RM'000	Preceding year corresponding quarter 30/09/2016 RM'000	Current year to date 30/09/2017 RM'000	Preceding year corresponding quarter 30/09/2016 RM'000
<b>Profit for the financial period</b>	<b>14,386</b>	<b>7,493</b>	<b>31,839</b>	<b>13,330</b>
<u>Other comprehensive income / (loss), net of tax</u>				
Currency translation difference	(1,166)	1,649	(4,088)	(782)
<b>Total comprehensive income</b>	<b>13,220</b>	<b>9,142</b>	<b>27,751</b>	<b>12,548</b>
<b>Attributable to:</b>				
Owners of the parent	13,823	8,400	29,376	11,194
Non-controlling interests	(603)	742	(1,625)	1,354
	<b>13,220</b>	<b>9,142</b>	<b>27,751</b>	<b>12,548</b>

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INTERIM REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2017

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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/09/2017 RM'000	As at 31/12/2016 RM'000
<b>ASSETS</b>		
Non-current assets		
Property, plant and equipment	87,330	87,379
Prepaid land lease payment	17,114	17,353
	<b>104,444</b>	104,732
Current assets		
Inventories	44,747	29,638
Trade and other receivables	121,830	70,198
Current tax assets	54	1,321
Short term funds	114,204	143,960
Cash, bank balances and deposits	47,200	26,679
	<b>328,035</b>	271,796
<b>TOTAL ASSETS</b>	<b>432,479</b>	<b>376,528</b>
<b>EQUITY AND LIABILITIES</b>		
Equity		
Share capital	123,679	123,679
Reserves	142,758	128,224
	<b>266,437</b>	251,903
Equity attributable to equity holders of the Company	<b>266,437</b>	251,903
Non-controlling interests	34,477	36,102
Total equity	<b>300,914</b>	288,005
Non-current liabilities		
Deferred tax liabilities	3,098	2,231
Current liabilities		
Trade and other payables	125,079	81,742
Derivative financial instruments	-	4,550
Current tax liabilities	3,388	-
	<b>128,467</b>	86,292
Total liabilities	<b>131,565</b>	88,523
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>432,479</b>	<b>376,528</b>
Net assets per share attributable to owners of the parent (RM)	1.08	1.02

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## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	30/09/2017 RM'000	30/09/2016 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	38,015	12,308
Adjustments for non-cash items	(1,688)	2,396
Operating profit before working capital changes	36,327	14,704
Net changes in working capital	(27,685)	(29,227)
Cash used in operations	8,642	(14,523)
Other payments	(28)	(49)
Taxes paid	(653)	(3,854)
<b>Net cash from / (used in) operating activities</b>	<b>7,961</b>	<b>(18,426)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	2,308	1,499
Purchase of property, plant and equipment	(6,287)	(10,291)
Proceeds from disposal of subsidiaries	-	11,975
Proceeds from disposal of an associate	-	34,775
Proceeds from disposal of property, plant and equipment	707	39
<b>Net cash (used in) / from investing activities</b>	<b>(3,272)</b>	<b>37,997</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>(10,152)</b>	<b>2,256</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>		
As previously reported	170,639	158,202
Effect of exchange rate changes	917	(6,965)
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	<b>161,404</b>	<b>151,237</b>
	<b>161,404</b>	<b>153,493</b>

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 INTERIM REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2017  
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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 2017	123,679	994	1,259	8,347	117,624		251,903	36,102	288,005	
Total comprehensive income / (loss)	-	-	-	(2,556)	31,931		29,375	(1,625)	27,750	
Dividend in respect of financial year 2016	-	-	-	-	(14,841)		(14,841)	-	(14,841)	
Balance as at 30 Sep 2017	123,679	994	1,259	5,791	134,714		266,437	34,477	300,914	
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)	-	-	-	18	11,176		11,194	1,354	12,548	
Dividend in respect of financial year 2015	-	-	-	-	(17,315)		(17,315)	-	(17,315)	
Balance as at 30 September 2016	123,679	994	1,259	5,510	115,257		246,699	34,031	280,730	

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# FORMOSA PROSONIC

## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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 SEPTEMBER 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>9-month ended 30-9-2017</b>				
Revenue				
External	329,899	1,428	-	331,327
Inter-segment sales	808	-	(808)	-
Total revenue	<u>330,707</u>	<u>1,428</u>	<u>(808)</u>	<u>331,327</u>
Results				
Segment results	37,326	732	12	38,070
Finance cost	(55)	-	-	(55)
Profit before tax				<u>38,015</u>
Tax expense				<u>(6,176)</u>
Profit for the period				<u>31,839</u>
<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	<u>251,460</u>	<u>2,345</u>	<u>(1,310)</u>	<u>252,495</u>
Results				
Segment results	14,892	(2,522)	4	12,374
Finance cost	(66)	-	-	(66)
Profit before tax				<u>12,308</u>
Tax expense				<u>1,022</u>
Profit for the period				<u>13,330</u>

### 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.

# FORMOSA PROSONIC

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

The figures have not been audited

### 10. Subsequent events

There were no material events subsequent to 30 September 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

	Individual			Cumulative		
	Current Quarter 30/9/2017 RM'000	Preceding Year Quarter 30/9/2016 RM'000	Changes %	Current Quarter 30/9/2017 RM'000	Preceding Year Quarter 30/9/2016 RM'000	Changes %
Revenue	153,297	107,257	42.9	331,327	252,495	31.2
Profit before tax	16,669	7,378	125.9	38,015	12,308	208.9
Profit after tax	14,386	7,493	92.0	31,839	13,330	138.9
Profit attributable to ordinary equity holders of the parent	14,575	7,348	98.4	31,931	11,176	185.7
EBITDA	20,168	8,749	130.5	48,067	15,424	211.6

#### Third quarter ended 30 September 2017

The Group recorded higher sales of RM153.3 million, an increase of 42.9% from the previous year's corresponding quarter of RM107.3 million on the back of higher sales volume and average selling price. Sales of musical instrument components were the main growth driver while the sales growth for audio systems and components were modest.



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

The figures have not been audited

### 13. Review of performance (Cont'd)

The Group recorded significant increase in the earnings before interest, tax, depreciation and amortization (“EBITDA”) to RM20.2 million for the current quarter from RM8.7 million in the previous year’s corresponding quarter mainly attributable to higher sales volume and lower operating costs.

#### Financial year-to-date ended 30 September 2017

The Group recorded significantly higher EBITDA of RM48.1 million for the nine-month period ended 30 September 2017 from RM15.4 in the previous year’s corresponding period, an increase of 211.6%. The better performance was attributable to higher sales volume and favourable sales mix. The growth in the sales of musical instrument component has outperformed the sales of audio system and components. Lower operating costs arising from better labour supply and the cessation of the loss-making UK business has also contributed to higher profit performance.

Due to higher sales order from customers, the Group has during the financial period expanded its plastic injection molding capacity and its secondary processes which in turn has contributed to higher sales.

In respect of the Group financial position, it remains healthy with net cash of RM161.4 million or RM0.65 cash per share. Trade receivables which were high at end of September are expected to decrease after the seasonal strongest quarter sales. Inventory level is also expected to moderate over the next few months.

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

	Current Quarter 30/9/2017 RM’000	Preceding Quarter 30/6/2017 RM’000	Changes %
Revenue	153,297	102,505	49.6
Profit before tax	16,669	10,629	56.8
Profit after tax	14,386	8,457	70.1
Profit attributable to ordinary equity holders of the parent	14,575	8,416	73.2
EBITDA	20,168	14,135	42.7

The Group recorded 49.6% higher sales of RM153.3 million in the current quarter compared to RM102.5 million in the immediate preceding quarter on the back of higher sales volume despite the strengthening of the RM against the USD. EBITDA improved by 42.7% to RM20.2 million from RM14.1 million mainly due to higher sales.

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

The figures have not been audited

### 15. Prospects for the current financial year

The Group is on track to achieve higher sales and profitability this year after taking into account healthy orders from the customers for the audio systems and musical instruments products. The market demand for these products sold by our customers remains encouraging amid improvement in the global economy.

Barring unforeseen circumstances, 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 30/9/2017 RM'000	Preceding Year Quarter 30/9/2016 RM'000	Current Quarter 30/9/2017 RM'000	Preceding Year Quarter 30/9/2016 RM'000
Profit for the period is arrived at after charging / (crediting):				
Income from short term funds	(856)	(390)	(2,219)	(1,298)
Interest income	(31)	(53)	(89)	(201)
Interest expenses	-	5	28	49
Depreciation and amortization	2,102	1,929	6,183	5,637
Foreign exchange loss / (gain)	17	(3,506)	1,183	1,335
Derivatives (gain) / loss	(294)	1,590	(4,550)	1,036
Gain on disposal of subsidiaries	-	-	-	(4,945)
Gain on disposal of property, plant and equipment	-	(24)	(508)	(38)
Gain on disposal of an associate	-	-	-	(2,272)
PPE written off	-	-	224	-

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

The figures have not been audited

### 18. Taxation

	Individual		Cumulative	
	Current	Preceding	Current	Preceding
	Quarter	Year	Quarter	Year
	30/9/2017	30/9/2016	30/9/2017	30/9/2016
	RM'000	RM'000	RM'000	RM'000
In respect of current period:-				
- Income tax	2,296	717	5,456	717
- Deferred tax	134	257	867	(650)
In respect of prior year :-				
- Income tax	(147)	(1,089)	(147)	(1,089)
- Deferred tax	-	-	-	-
	<u>2,283</u>	<u>(115)</u>	<u>6,176</u>	<u>(1,022)</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 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 September 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.

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

The figures have not been audited

### 23. Basic Earnings per share

	Individual		Cumulative	
	Current Quarter 30/9/2017	Preceding Year Quarter 30/9/2016	Current Quarter 30/9/2017	Preceding Year Quarter 30/9/2016
Net profit attributable to equity holders of the parent (RM'000)	14,575	7,348	31,931	11,176
Weighted average number of shares ('000)	247,358	247,358	247,358	247,358
Basic earnings per share (sen)	5.9	3.0	12.9	4.5

### 24. Realised and Unrealised Profits

	As At End Of Current Quarter 30/9/2017 RM'000	As At End Of Preceding Quarter 30/6/2017 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	104,428	90,199
- Unrealised	(899)	(1,056)
	103,529	89,143
Consolidation adjustments	31,185	30,996
Total Group retained profits	134,714	120,139