

FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
 INTERIM REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019
 (The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual quarter		Cumulative quarter	
	Current year quarter 30/09/2019 RM'000	Preceding year corresponding quarter 30/09/2018 RM'000	Current year to date 30/09/2019 RM'000	Preceding year corresponding quarter 30/09/2018 RM'000
Revenue	260,612	192,033	590,863	411,537
Cost of sales	<u>(231,781)</u>	<u>(165,581)</u>	<u>(530,535)</u>	<u>(359,254)</u>
Gross profit	28,831	26,452	60,328	52,283
Other income	4,757	3,641	15,302	10,208
Distribution costs	<u>(5,357)</u>	<u>(4,785)</u>	<u>(12,743)</u>	<u>(11,633)</u>
Administrative expenses	<u>(4,011)</u>	<u>(4,222)</u>	<u>(9,822)</u>	<u>(8,915)</u>
Other expenses	<u>(3,438)</u>	<u>(1,348)</u>	<u>(10,740)</u>	<u>(4,992)</u>
Profit from operations	20,782	19,738	42,325	36,951
Finance costs	<u>(72)</u>	<u>(7)</u>	<u>(268)</u>	<u>(53)</u>
Profit before tax	20,710	19,731	42,057	36,898
Tax expense	<u>(4,817)</u>	<u>(3,117)</u>	<u>(9,290)</u>	<u>(6,555)</u>
Profit for the financial period	<u>15,893</u>	<u>16,614</u>	<u>32,767</u>	<u>30,343</u>
Profits attributable to:				
Owners of the parent	15,885	16,656	32,741	30,374
Non-controlling interests	<u>8</u>	<u>(42)</u>	<u>26</u>	<u>(31)</u>
	<u>15,893</u>	<u>16,614</u>	<u>32,767</u>	<u>30,343</u>
Earnings per share (sen)				
Basic	<u>6.4</u>	<u>6.7</u>	<u>13.2</u>	<u>12.3</u>
Diluted	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>

(The notes set out on pages 6 to 14 form an integral part of and should be read in conjunction with this interim financial report.)

FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
INTERIM REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual quarter		Cumulative quarter	
	Current year quarter 30/09/2019 RM'000	Preceding year corresponding quarter 30/09/2018 RM'000	Current year to date 30/09/2019 RM'000	Preceding year corresponding quarter 30/09/2018 RM'000
Profit for the financial period	15,893	16,614	32,767	30,343
<u>Other comprehensive income / (loss), net of tax</u>				
Currency translation difference	183	(108)	220	138
Total comprehensive income	<u>16,076</u>	<u>16,506</u>	<u>32,987</u>	<u>30,481</u>
Attributable to:				
Owners of the parent	16,059	16,532	32,952	30,498
Non-controlling interests	17	(26)	35	(17)
	<u>16,076</u>	<u>16,506</u>	<u>32,987</u>	<u>30,481</u>

(The notes set out on pages 6 to 14 form an integral part of and should be read in conjunction with this interim financial report.)

FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
 INTERIM REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019
 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/09/2019 RM'000	As at 31/12/2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	110,760	111,436
Prepaid land lease payment	16,476	16,716
Right-of-use assets	3,758	-
	130,994	128,152
Current assets		
Inventories	53,997	47,677
Trade and other receivables	185,572	97,594
Current tax assets	6,156	1,485
Short term funds	113,545	141,863
Cash, bank balances and deposits	38,806	25,967
	398,076	314,586
TOTAL ASSETS	529,070	442,738
EQUITY AND LIABILITIES		
Equity		
Share capital	124,673	124,673
Reserves	176,680	168,464
	301,353	293,137
Equity attributable to equity holders of the Company	301,353	293,137
Non-controlling interests	10,837	10,802
Total equity	312,190	303,939
Non-current liabilities		
Lease liabilities	2,693	-
Deferred tax liabilities	4,352	4,778
	7,045	4,778
Current liabilities		
Trade and other payables	199,485	132,997
Lease liabilities	1,160	-
Current tax liabilities	9,190	1,024
	209,835	134,021
Total liabilities	216,880	138,799
TOTAL EQUITY AND LIABILITIES	529,070	442,738
Net assets per share attributable to owners of the parent (RM)	1.22	1.19

(The notes set out on pages 6 to 14 form an integral part of and should be read in conjunction with this interim financial report.)

FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
 INTERIM REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019
 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	30/09/2019 RM'000	30/09/2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	42,057	36,898
Adjustments for non-cash items	5,211	5,774
Operating profit before working capital changes	47,268	42,672
Net changes in working capital	(25,532)	(11,167)
Cash from operations	21,736	31,505
Other payments	(34)	(34)
Taxes paid	(6,220)	(4,230)
Net cash from operating activities	15,482	27,241
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,961	2,389
Purchase of property, plant and equipment	(9,373)	(15,284)
Acquisition of a subsidiaries, net of cash acquired	-	(5,749)
Proceeds from disposal of property, plant and equipment	28	285
Net cash used in investing activities	(6,384)	(18,359)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(24,736)	(19,789)
Net cash used in financing activities	(24,736)	(19,789)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,638)	(10,907)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD		
As previously reported	167,829	149,288
Effect of exchange rate changes	160	527
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	167,989	149,815
	152,351	138,908

(The notes set out on pages 6 to 14 form an integral part of and should be read in conjunction with this interim financial report.)

FORMOSA PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD (172312-K)
 INTERIM REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019
 (The figures have not been audited)

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	Capital reserve	Exchange fluctuation reserve	Retained profits	RM'000			
Balance as at 1 January 2019	124,673	1,259	6,397	160,808	293,137	10,802	303,939	
Total comprehensive income / (loss)	-	-	211	32,741	32,952	35	32,987	
Dividend in respect of financial year 2018	-	-	-	(24,736)	(24,736)	-	(24,736)	
Balance as at 30 September 2019	124,673	1,259	6,608	168,813	301,353	10,837	312,190	
Balance as at 1 January 2018	124,673	1,259	6,006	143,953	275,891	10,798	286,689	
Total comprehensive income / (loss)	-	-	124	30,374	30,498	(17)	30,481	
Dividend in respect of financial year 2017	-	-	-	(19,789)	(19,789)	-	(19,789)	
Balance as at 30 September 2018	124,673	1,259	6,130	154,538	286,600	10,781	297,381	

(The notes set out on pages 6 to 14 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 YEAR ENDED 30 SEPTEMBER 2019

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 2018.

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 2018, except with the adoption of the following Malaysian Financial Reporting Standards ("MFRS"), Clarification on MFRS, Issues Committee ("IC") Interpretations and Amendments to MFRS for financial period beginning on or after 1 January 2019:

Title	Effective Date
MFRS 16 <i>Leases</i>	1 Jan 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 Jan 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 Jan 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 Jan 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 Jan 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 Jan 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 Jan 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 Jan 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 Jan 2019

The adoption of these Standards, Amendments and IC Interpretation have no material financial impacts on the interim financial report, except for the following:

MFRS 16 Leases

The Group has adopted MFRS 16 Leases and applied this Standard retrospectively during the financial period. In accordance with the transition requirements under the Appendix C, paragraph 5(b) of this Standard, comparatives are not restated. As a result of the adoption of MFRS 16 Leases, the existing requirements for a lessee to distinguish between finance lease and operating lease under the MFRS 117 Leases are no longer required. This Standard introduces a single accounting model, requiring the lessee to recognise the right-of-use of the underlying lease asset and the future lease payments liabilities in the statement of financial position. Right-to-use assets depreciated throughout the lease period whereas lease liability is accreted to reflect interest and is reduced to reflect lease payments made. For a lessor, MFRS 16 Leases continue to allow the lessor to classify leases as either operating leases or finance leases and to account for these two types of leases differently.

FORMOSA PROSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019

The figures have not been audited

1. Accounting policies (cont'd)

The following table presents the impact of changes to the Consolidated Statements of Financial Position of the Group resulting from the adoption of MFRS 16 Leases as at 1 January 2019:

	Note	As at 31 Dec 2018 RM'000	Effect of MFRS 16 RM'000	As at 1 Jan 2019 RM'000
Non-current assets				
Right-of-Use asset	(a)	-	4,672	4,672
Lease liabilities	(b)			
Non-current liabilities		-	3,571	3,571
Current liabilities		-	1,101	1,101
Total lease liabilities		-	4,672	4,672

Note:

- (a) The right-of-use assets comprise buildings leased and recognised during the period. Subsequent to initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any remeasurement of lease liabilities.
- (b) The long term and short term lease liabilities arising from the buildings leased are recognised and discounted using the Group's approximate average borrowing rate of 7.00%. Subsequent to initial recognition, the Group measures the lease liabilities with inclusion of interest on the lease liabilities, reduces the carrying amounts to reflect lease payments made and remeasures the carrying amounts to reflect any reassessment or lease modifications.

At the date of authorization of these interim financial statements, the following MFRS, IC Interpretations and Amendments to IC Interpretations were issued but not yet effective and have not been applied by the Group:

Title	Effective Date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 Jan 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 Jan 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 Jan 2020
<i>MFRS 17 Insurance Contracts</i>	1 Jan 2021
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

FORMOSA PROSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019

The figures have not been audited

2. Audit qualification

The audit report on the financial statements for the financial year ended 31 December 2018 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 year.

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 year.

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.

7. Dividend paid

	Current year to date RM'000	Preceding year to date RM'000
First interim single tier of 10.0 sen per ordinary share for the financial year ended 31 December 2018 (31 December 2017 : 8.0 sen per ordinary share)	24,736	19,789

FORMOSA PROSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019

The figures have not been audited

8. Segmental reporting

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

	Malaysia RM'000	UK (Discontinued operations) RM'000	Elimination RM'000	Total RM'000
9-month ended 30-9-2019				
Revenue				
External	590,863	-	-	590,863
Inter-segment sales	82,452	-	(82,452)	-
Total revenue	673,315	-	(82,452)	590,863
Results				
Segment results	42,764	(337)	(102)	42,325
Finance cost	(268)	-	-	(268)
Profit before tax				42,057
Tax expense				(9,290)
Profit for the period				32,767
9-month ended 30-9-2018				
Revenue				
External	411,537	-	-	411,537
Inter-segment sales	42,560	-	(42,560)	-
Total revenue	454,097	-	(42,560)	411,537
Results				
Segment results	37,345	(310)	(84)	36,951
Finance cost	(53)	-	-	(53)
Profit before tax				36,898
Tax expense				(6,555)
Profit for the period				30,343

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 YEAR ENDED 30 SEPTEMBER 2019

The figures have not been audited

10. Subsequent events

There were no material events subsequent to 30 September 2019 that have not been reflected in the interim report.

11. Changes in composition of the Group

There were no changes in the composition of the Group during the current quarter and financial period ended 30 September 2019.

12. Contingent liabilities or contingent assets

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet date.

13. Related Party Disclosures

Significant related party transactions with a major corporate shareholder, Wistron Corporation (“Wistron”) are as follows:

	Individual		Cumulative	
	Current Quarter 30/9/2019 RM'000	Preceding Year Quarter 30/9/2018 RM'000	Current Quarter 30/9/2019 RM'000	Preceding Year Quarter 30/9/2018 RM'000
Sales of speakers to Wistron	74,859	-	142,880	-
Parts supply by Wistron	26,245	27	67,459	27

14. Review of performance

	Individual			Cumulative		
	Current Quarter 30/9/2019 RM'000	Preceding Year Quarter 30/9/2018 RM'000	Changes %	Current Quarter 30/9/2019 RM'000	Preceding Year Quarter 30/9/2018 RM'000	Changes %
Revenue	260,612	192,033	35.7	590,863	411,537	43.6
Profit before tax	20,710	19,731	5.0	42,057	36,898	14.0
Profit after tax	15,893	16,614	(4.3)	32,767	30,343	8.0
Profit attributable to ordinary equity holders of the parent	15,885	16,656	(4.6)	32,741	30,374	7.8
EBITDA	23,578	21,906	7.6	50,510	42,627	18.5

FORMOSA PROSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019

The figures have not been audited

14. Review of performance (cont'd)

Third quarter ended 30 September 2019

The Group recorded higher sales of RM260.6 million, an increase of 35.7% from the previous year's corresponding quarter of RM192.0 million on the back of higher sales volume and change in sales mix.

The Group recorded higher earnings before interest, tax, depreciation and amortization ("EBITDA") of RM23.6 million for the current quarter compared to RM21.9 million in the previous year's corresponding quarter mainly due to significantly higher sales volume despite increases in operating cost. The current quarter result has included impairment loss on trade receivables of RM3.3 million.

Financial year-to-date ended 30 September 2019

The Group recorded higher EBITDA of RM50.5 million for the nine-month period ended 30 September 2019 compared to RM42.6 million in the previous year's corresponding period on the back of significantly higher sales of RM590.9 million compared to RM411.5 million and also due to gain on foreign exchange. Nevertheless, the Group's profitability was affected by increases in operating cost and impairment loss on trade receivables.

In respect of the Group financial position, it remains solid with net cash of RM152.4 million or RM0.62 cash per share. The Group remains vigilant on trade receivables collection which was within normal range of 60 to 90 days and on higher and optimum inventory level.

15. Comparison with previous quarter's results

	Current Quarter 30/9/2019 RM'000	Preceding Quarter 30/6/2019 RM'000	Changes %
Revenue	260,612	187,366	39.1
Profit before tax	20,710	11,344	82.6
Profit after tax	15,893	8,908	78.4
Profit attributable to ordinary equity holders of the parent	15,885	8,899	78.5
EBITDA	23,578	14,186	66.2

The Group recorded 39.1% higher sales of RM260.6 million in the current quarter compared to RM187.4 million in the immediate preceding quarter mainly due to higher sales volume. As a result, the Group recorded higher EBITDA at RM23.6 million as compared to RM14.2 million.

FORMOSA PROSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019

The figures have not been audited

16. Current Year Prospects

The Board of Directors expects the Group to achieve profitable results for the financial year ending 31 December 2019 on the back of healthy sales orders. The Board is cautious about the operating challenges arising from fluctuation in the USD currency against the RM and the rising material prices as well as labour costs as a result of the implementation of the minimum wage policy.

17. Deviation from profit forecast and profit guarantee

Not applicable.

18. Notes to the statement of comprehensive income

	Individual		Cumulative	
	Current Quarter 30/9/2019 RM'000	Preceding Year Quarter 30/9/2018 RM'000	Current Quarter 30/9/2019 RM'000	Preceding Year Quarter 30/9/2018 RM'000
Profit for the period is arrived at after charging / (crediting):				
Income from short term funds	(830)	(784)	(2,801)	(2,297)
Interest income	(63)	(28)	(160)	(91)
Interest expenses	5	5	34	34
Impairment loss on trade receivables	3,286	-	3,611	-
Lease liabilities	69	-	220	-
Depreciation and amortization	3,383	2,987	10,245	8,117
Amortisation of Right-of-use Assets	305	-	914	-
Foreign exchange loss / (gain)	(4,143)	(2,094)	(6,392)	(3,217)
Discount on acquisition of subsidiaries	-	-	-	(744)
Gain on disposal of property, plant and equipment	(28)	-	(28)	(285)
PPE written off	-	-	-	1

FORMOSA PROSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019

The figures have not been audited

19. Taxation

	Individual		Cumulative	
	Current	Preceding Year	Current	Preceding Year
	Quarter	Quarter	Quarter	Quarter
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	RM'000	RM'000	RM'000	RM'000
In respect of current period:-				
- Income tax	3,935	3,641	9,199	7,267
- Deferred tax	365	307	(426)	119
In respect of prior year :-				
- Income tax	517	(831)	517	(831)
- Deferred tax	-	-	-	-
	<u>4,817</u>	<u>3,117</u>	<u>9,290</u>	<u>6,555</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 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 2019.

22. Material litigation

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

23. Dividend

The Group paid a first interim single tier tax exempt dividend of 10.0 sen per share in respect of the financial year ended 31 December 2018 (31 December 2017: 8.0 sen per share) on 18 April 2019 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 5 April 2019.

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

FORMOSA PROSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019

The figures have not been audited

24. Basic Earnings per share

	Individual		Cumulative	
	Current Quarter 30/9/2019	Preceding Year Quarter 30/9/2018	Current Quarter 30/9/2019	Preceding Year Quarter 30/9/2018
Net profit attributable to equity holders of the parent (RM'000)	15,885	16,656	32,741	30,374
Weighted average number of shares ('000)	247,358	247,358	247,358	247,358
Basic earnings per share (sen)	6.4	6.7	13.2	12.3