

FORMOSA PROSONIC INDUSTRIES BERHAD

Company No. 198801004954 (172312-K)

Minutes of the **Thirty-Fourth Annual General Meeting** (“AGM”) of Formosa Prosonic Industries Berhad (“FPI” or “the Company”) held fully virtual and live streaming through online meeting platform of TIIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia via its website at <https://tiih.online> or <https://tiih.com.my> (Domain registration number with MYNIC:DIA282781) on **Friday, 27 May 2022** at 10.00 a.m.

Participated via : Board of Directors
Video Mr Shih, Chao-Yuan
Conferencing Mr Leow Ing Seng
Mr Lim Chung Yin
Mr Chen, Ching-Sen
Mr Huang Ying Hao
Mr Koh Meng Ching

By Invitation

Ms Allison Ng Soe Kei (BDO PLT)
Ms Lok Pei Leng (BDO PLT)
Mr Fong Jia Kuan (BDO PLT)

In Attendance

Ms Lau Yen Hoon, Ann (Company Secretary)
Ms Tan Siew Hong, Irence (Tricor Corporate Services Sdn Bhd)
Ms Yew Soo Jing (Tricor Corporate Services Sdn Bhd)

The attendance of shareholders/corporate representatives/proxies is as per the Summary of Attendance List via Remote Participation and Voting (“RPV”) facilities.

1. OPENING

The Chairman of the Meeting, Mr Shih Chao Yuan, welcomed everyone to the Thirty-Fourth AGM of the Company.

The Chairman further informed that the AGM was conducted fully virtually through the online meeting platform via TIIH Online website as part of the Company’s safety measures against the Covid-19 and in accordance with the Guidance Note and FAQs on the conduct of General Meetings for Listed Issuers revised by Securities Commission Malaysia on 7 April 2022.

The Chairman introduced the members of the Board of Directors who were joining the AGM virtually and informed that the Management team, Company Secretary and External Auditors, BDO PLT were also joining the Meeting remotely.

2. QUORUM

The Chairman informed that for a fully virtual general meeting, the quorum shall be determined by the number of members logged-in at the start of meeting. As the requisite quorum was present, the Chairman called the Meeting to order.

3. NOTICE

The Notice convening the AGM having been circulated and advertised in the newspaper within the prescribed period was, with the consent of the Meeting, taken as read.

4. POLL VOTING

The Chairman informed shareholders that pursuant to Paragraph 8.29(A) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the notice of the AGM would be decided by poll, which would be taken at the end of the Meeting after the Directors had dealt with questions from the shareholders.

The Company had appointed Tricor Investor and Issuing House Services Sdn Bhd as the poll administrator and Asia Securities Sdn Bhd as Scrutineers to verify the poll results.

Tricor Investor and Issuing House Services Sdn Bhd had briefed the shareholders the voting procedures using the remote participation and voting facility.

Before the Meeting proceed with the agenda, the Chairman informed that shareholders and proxies were welcomed to raise questions using the Query Box. The questions submitted would be responded during the Questions & Answers (Q&A) session after the conclusion of the agenda of this Meeting.

5. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

The Chairman informed that pursuant to the provisions of Section 340(1) of the Companies Act 2016 ("the Act"), the audited financial statements were required to be laid before the Meeting and was not an item requiring a resolution to be put to vote. The Chairman therefore put on record that the Audited Financial Statement of the Company for the financial year ended 31 December 2021 had been properly laid and received in accordance with the Act.

6. **ORDINARY RESOLUTION 1**
Payment of Directors' Fees in respect of the financial year ended 31 December 2021

The Chairman proceeded with the second item of the agenda which was to approve the payment of Directors' Fees of RM240,000 in respect of the financial year ended 31 December 2021.

7. **ORDINARY RESOLUTION 2**
Payment of Directors' benefits of up to RM1,200,000 for the financial period from 1 July 2022 to 30 June 2023

The Meeting then proceeded with the next agenda which was to approve the payment of Directors' benefit of up to RM1,200,000.00 for the financial period from 1 July 2022 to 30 June 2023.

8. **ORDINARY RESOLUTION 3**
Re-election of Mr Chen Ching Sen

The Meeting then proceeded with the agenda item on the re-election of Mr Chen Ching Sen who would be retiring in accordance with Clause 117 of the Constitution of the Company and who had offered himself for re-election, as a Director of the Company.

9. **ORDINARY RESOLUTION 4**
Re-appointment of Auditors

The Meeting proceeded to the next agenda on the re-appointment of BDO PLT as the Auditors of the Company and to authorise the Directors to fix their remuneration.

The Chairman informed that BDO PLT had indicated their willingness to continue office.

10. **ORDINARY RESOLUTION 5**
Authority to Allot and Issue Shares Pursuant to Section 75 and 76 of the Companies Act 2016

The Meeting moved on to the next agenda which was the proposed resolution to obtain authority from shareholders to authorise the Directors to allot and issue shares of the Company pursuant to Section 75 and 76 of the Companies Act 2016.

The Chairman informed the shareholders that the details of this resolution was set out under the explanatory note in the Notice of the AGM.

11. ORDINARY RESOLUTION 6
Proposed Renewal of Authority for Share Buy-Back

The Meeting proceeded to the next agenda which was regarding the proposed resolution to obtain a mandate from shareholders for the Company to purchase its own shares up to 10% of the issued and paid up share capital at any given point in time during the authorised period.

The Chairman informed that the details of this proposal could be found in the Statement to Shareholders dated 27 April 2022.

12. ORDINARY RESOLUTION 7
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

Next item on the agenda was to obtain the shareholders' approval to allow the Company and its subsidiaries to enter into Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature with certain related parties, as stated in the Notice of this meeting.

The Chairman informed that the full details of the proposed resolution were set out in Circular to Shareholders dated 27 April 2022.

13. ORDINARY RESOLUTION 8
Retention of Independent Director in accordance with the Malaysian Code on Corporate Governance

The Meeting moved to the next item on the agenda to consider the retention of Mr Lim Chung Yin who also had served for more than nine (9) years, as an Independent Director of the Company in line with the Malaysian Code of Corporate Governance.

14. ANY OTHER BUSINESS

The last item on the agenda was to transact any other business.

The Chairman was informed that the Company did not receive any notice to transact other matters.

15. QUESTIONS AND ANSWERS SESSION

The Meeting proceeded to the Q&A session.

The list of questions and answers that had been addressed at the AGM was annexed hereto and marked as Annexure A.

16. POLL VOTING

There being no further question raised, the Meeting proceeded to the voting session.

17. ADJOURNMENT OF MEETING

The Meeting was adjourned at 10.50 a.m. for the counting of votes.

18. ANNOUNCEMENT OF POLL RESULTS

At the receipt of the results of the poll, the Chairman reconvened the Meeting at 11.10 a.m. to announce the poll results which were as follows:-

Resolutions	Vote For		Vote Against		Total Votes	
	No of Units	%	No of Units	%	No of Units	%
Resolution 1	108,785,584	99.9573	46,502	0.0427	108,832,086	100.0000
Resolution 2	108,744,482	99.9297	76,504	0.0703	108,820,986	100.0000
Resolution 3	103,962,184	99.2473	788,502	0.7527	104,750,686	100.0000
Resolution 4	108,819,584	99.9885	12,502	0.0115	108,832,086	100.0000
Resolution 5	108,772,004	99.9468	57,882	0.0532	108,829,886	100.0000
Resolution 6	108,129,224	99.9765	25,462	0.0235	108,154,686	100.0000
Resolution 7	39,514,384	99.9631	14,602	0.0369	39,528,986	100.0000
Resolution 8	103,904,964	99.1923	846,022	0.8077	104,750,986	100.0000

Based on the poll results, the Chairman declared that Ordinary Resolution 1 to Ordinary Resolution 8 as tabled at the Meeting were carried.

It was **RESOLVED** as follows:-

ORDINARY RESOLUTION 1

Payment of Directors' Fees in respect of the financial year ended 31 December 2021

"THAT the payment of Directors' Fees in respect of the financial year ended 31 December 2021 be and is hereby approved."

ORDINARY RESOLUTION 2

Payment of Directors' benefits of up to RM1,200,000 for the financial period from 1 July 2022 to 30 June 2023

"THAT the payment of Directors' benefits of up to RM1,200,000 for the financial period from 1 July 2022 to 30 June 2023 be and is hereby approved."

ORDINARY RESOLUTION 3
Re-election of Mr Chen Ching Sen

“THAT Mr Chen Ching Sen, the Director retiring in accordance with Clause 117 of the Constitution of the Company, be and is hereby re-elected as Director of the Company.”

ORDINARY RESOLUTION 4
Re-appointment of Auditors

“THAT the retiring auditors, BDO PLT, having indicated their willingness to continue in office be hereby re-appointed as the Auditors of the Company and that the Directors be hereby authorised to fix their remuneration.”

ORDINARY RESOLUTION 5
Authority to Allot and Issue Shares Pursuant to Section 75 and 76 of the Companies Act 2016

“**THAT** pursuant to Sections 75 and 76 of the Companies Act 2016 (“the Act”) and subject to the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”) and the approvals of the relevant governmental/regulatory authorities (if any), the Directors of the Company be and are hereby authorised to allot and issue shares in the Company from time to time, at such price, upon such terms and conditions and for such purposes and to such persons whomsoever as the Directors may in their absolute discretion deem fit PROVIDED THAT the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares, if any) of the Company for the time being **AND THAT** the Directors be authorised to do all such things as they may deem fit and expedient in the best interest of the Company to give effect to the issuance of new shares under this resolution including making such applications to Bursa Securities for the listing of and quotation for the additional shares so issued on Bursa Securities **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting (“AGM”) of the Company, unless revoked or varied by an ordinary resolution of the Company at a general meeting.”

ORDINARY RESOLUTION 6
Proposed Renewal of Authority for Share Buy-Back

“**THAT** subject always to the Act, the Constitution of the Company, the Listing Requirements of Bursa Securities and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

- i. the aggregate number of issued shares in the Company (“Shares”) purchased (“Purchased Shares”) and/or held as treasury shares pursuant to this ordinary

resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at point of purchase; and

- ii. the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

("Proposed Share Buy-Back").

AND THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:

- a. the conclusion of the next AGM of the Company following at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
- b. the expiration of the period within which the next AGM of the Company is required by law to be held; or
- c. revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

- i. To cancel all or part of the Purchased Shares;
- ii. To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;
- iii. To distribute all or part of the treasury shares as dividends to the shareholders of the Company;
- iv. To resell all or part of the treasury shares;
- v. To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;

- vi. To transfer all or part of the treasury shares as purchase consideration;
- vii. To sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe; and/or
- viii. To deal with the treasury shares in any other manners as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are authorised to take all such steps as are necessary or expedient [including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties] to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities.”

ORDINARY RESOLUTION 7

Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

“**THAT**, approval be and is hereby given for the Proposed Renewal of Shareholders’ Mandate for the Company and/or its subsidiaries to enter into the categories of recurrent related party transactions of a revenue or trading nature falling within the nature of transactions set out in Section 3.3 of the Circular to Shareholders dated 27 April 2022 (“the Circular”), with the related parties falling within the classes of persons set out in Section 3.2 under the Circular, such transactions are necessary for the Company and/or its subsidiaries’ day-to-day operations and which are carried out in the ordinary course of business, on terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interest of the minority shareholders.

THAT the authority conferred by such mandate shall commence upon the passing of this resolution and continue to be in force until:

- (i) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at the next AGM, the authority is renewed;
- (ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier.

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to this Ordinary Resolution.”

ORDINARY RESOLUTION 8

Retention of Independent Director in accordance with the Malaysian Code on Corporate Governance

“THAT Mr Lim Chung Yin, the Independent Director who has served in the Company for more than nine (9) years be hereby retained as Independent Director and to hold office until the next AGM.”

19. CLOSURE

The Chairman informed that Mr Leow Ing Seng, Senior Independent Non-Executive Director who was retiring by rotation in accordance with Clause 117 of the Constitution of the Company, had expressed his intention not to seek for re-election as a Director of the Company. Hence, he would hold office until the conclusion of the AGM. The Board put on record their appreciation to Mr Leow Ing Seng for his past services and valuable contribution to the Board and the Company and wished him well and every success in his future endeavour.

There being no other business, the Meeting was closed at 11.15 a.m. with a vote of thanks to the Chair.

SIGNED AS A CORRECT RECORD

CHAIRMAN

Questions addressed during Questions and Answers Session

(i) Questions from the Minority Shareholders Watch Group (“MSWG”)

The Chairman informed that the Company had received a letter containing questions raised by the MSWG prior to the Meeting. The following questions from MSWG and responses from the Management of the Company were projected onto the screen:-

Q1. The Company’s recorded strong performance in Financial Year Ended (“FYE”) 2021 when Profit After Tax rose by a whopping 84.3% to RM96.8 million from RM52.5 million in FYE 2020. This was achieved amid the pandemic which had disrupted component supply chains globally.

- a) What are the Company’s plans to enhance its performance in FYE 2022?
- b) Global freight and air cargo rates were at record highs in FYE 2021. What are the Company’s plans to handle the rising cost and can the increased cost be passed to the customers or does the Company have to absorb the increase in cost?

A1. As entering a new year, it is important to remember that the Covid-19 pandemic is still heavily impacting facilities worldwide economic. Although the Company has deal with Covid-19 for a couple year but the Management aware that they could not let their guard down and shall remain vigilant.

On top of that, the war against Ukraine and sanctions on Russia are hitting economies around the globe. The Company and its final customers were expected to bear the brunt. However, the Company would monitor closely to reduce the impact.

The Management expected cost pressure from the rising inflation environment and the implementation of Minimum Wages Order 2022. It is not unprecedented and given the nature of the business, mechanism was in place and measures were being undertaken to mitigate the impact. Nevertheless, the Company committed to manage the price volatility with amicable solutions with its suppliers and customers.

Q2. The Company has been a leading manufacturer of high quality sound systems for the past 30 years in Malaysia. It is imperative that the Company invests in Research & Development (“R&D”) extensively to ensure its leadership position and that its products continue to appeal to customers.

- a) What was the R&D expenditure for the Company in FYE 2021?
- b) What is the proposed R&D expenditure in FYE 2022?

A2. The Group spent approximately RM15 million in FYE 2021 on the costs related to research, design and development on potential markets and products,

software enhancement on acoustic simulation and tuning, audio reliability testing equipment, mechanical and transducer design, in-housed designed tools and jigs, automation as well as innovative manufacturing solutions which are crucial at sustaining our competitiveness and to optimise efficiency and productivity.

The Group planned a similar funding for R&D expenditure in FYE 2022.

Q3. The Company is in a business which has many competitors and established players. How does the Company ensure differentiation and competitiveness of its products against the competition?

A3. All businesses would face competition. The Group faced the competition bravely and able to survive in the past and present volatile business environments.

Q4. The Company employs around 2,000 foreign workers at its factories and it highly dependent on foreign labour. (Page 32 of Annual Report 2021).

a) What is the ratio of foreign workers to locals as at the end of FYE 2021?

b) As the Malaysian Government has become more stringent in hiring of foreign workers, does the Company have plans to increase automation at its factories?

A4. In respect of the ratio, the Group adhered to the Government's guidelines. The Group had attempted to lower the ratio with more local recruitment. Despite numerous recruitments drive for locals with higher pay and perks, the results had not been successful and satisfactory as the turnover rate of local employees was exceptionally high.

As disclosed in the Management Discussion & Analysis of the Annual Report 2021, the production floors had been equipped with semi-automation as practicable as possible. Nevertheless, the Group would constantly review its operation flows and production method with a view to increase automation to reduce reliance on manpower.

Despite of this, foreign workers remain an important source of manpower due to the nature of the business of the Group. The Group took note of the stricter regulations imposed by the Government and would continue to review its manpower policy and take action as appropriate.

Q5. Other income rose substantially in FYE 2021 from RM14.6 million to RM27.6 million in FYE 2020. What is the nature of the other income and is it recurring?

A5. As disclosed on Note 20 of Notes to the Financial Statements (Page 111 of Annual Report 2021), significant rose in other income for FYE 2021 was mainly due to gain on disposal of property, plant and equipment of RM5.6 million and higher gain on foreign exchange. Recurring income such as rental and interest income were also included in the category of other income.

Q6. Practice 1.2 of the Malaysian Code on Corporate Governance (“MCCG”) 2021 stipulates that a Company should have a Chairman of the board who will be responsible for instilling good corporate governance practices, leadership and ensure effectiveness of the board. The Company has had no Chairman in office for more than a year. Does the Company intend to apply this Practice, and if yes, by when?

A6. The Company intends to have a Chairman to the board and still looking for a right candidate for the position.

Q7. Practice 5.3 of the MCCG 2021 stipulates that two-tier voting has to be conducted for the retention of Directors who have served for a period of more than 9 years.

Mr Lim Chung Yin had served the Board for more than twelve years as an Independent Director. The Board had decided to seek shareholders’ approval to retain him as an Independent Director via a normal voting process at the Company’s 34th AGM.

Why did the Company not conducting two-tier voting process as required by MCCG 2021?

A7. The Company has only one class of shares which has equal voting rights and all shares were ranked pari passu. The Board therefore decided to seek for shareholders’ approval to retain Mr Lim Chung Yin as Independent Non-Executive Director under a single-tier voting process. Nevertheless, the Board took note of the two-tier voting system and may consider doing it in future general meetings.

(ii) Questions received prior to the Meeting

The Chairman informed that there were some questions submitted by shareholders or proxy before the Meeting. The questions and responses from the Management were projected onto the screen.

1. Mr Tan Zi Qing, a shareholder, raised the following questions:-

Q1. Any impacts due to minimum wages of RM1,500 implemented?

The similar questions were raised by another shareholders.

Mr Tan Tai Ann enquired the impact to the Company with the declaration of minimum wages RM1,500, whether the employees were currently being paid below the rate and require adjustment, as well as how many percent of the employees fall under this category.

Mr Joseph Lam Wai enquired any impact to the Company's labour cost on the minimum wages increase to RM1,500 and the estimated impact would be derived.

- A1. The Management responded that the factory's cost would be increased. Overall review of salary structure was carried out in conjunction with the implementation of Minimum Wages Order 2022. It would certainly result in higher operating costs for the Group.
- Q2. Based on the Governance Report, it is noted that the number of employees reduced sharply, is it due to the effect from semi-automation investments?
- A2. The Company would depend on many employees for final assembly due to its nature of business. The reduction of employees was due to the expiration of the work permit of the foreign workers and the closure of Country's border. The Company's nature of business would only allow it to innovate in semi-automation and jigs to slightly ease the manpower requirements.
- Q3. How huge was the impacts of the high commodity prices on the Company's profitability, and how to mitigate the issues? It was noted that high inventory value in the Balance Sheet, which it was believe that it is a form to hedge the impacts, any next action?
- A3. High commodity prices pose challenges to the costs of the Company. Given the Company's nature of business and with mechanism in place, measures were being undertaken to mitigate the impact. Higher inventory was contributed by factors such as component shortages, ports congestion and lockdown due to the Covid-19 pandemic. The Company was required to pull in additional stocks for production in order to meet the customers' requirement and delivery.
- Q4. Mr Tan Zi Qing noted that the Company had incurred high capital expenditure ("Capex") in 2021 and requested the Company to share some relevant information.
- A4. RM23 million was spent for Capex in 2021. Major items included were land buildings, plants, machineries (semi-automation) and jigs.
2. Mr Tan Meng Yang, a shareholder, asked the Management where they would position the Company in the next 10 years.

The Management responded that the Company had been in business for over 30 years, and they were of view that the Company would continue to be a leading and formidable company in its field for many more years to come.

3. Mr Tan Tai Ann, a shareholder, commended the Management and employees for the magnificent result for FY2021. The Company without a dividend policy was

able to declare dividend in increasing manner over the years. He noticed that the dividend payout was reduced from 60% or above (FY2018-2020) to 52% in FY2021 and enquired the rationale for the decrease in the ratio given that higher profit achieved by the Company.

The Management responded that the lower dividend pay-out ratio was in response to higher working capital requirements.

4. Mr Teh Sun Nee, a shareholder, raised the following questions:-

Q1. Referring to Note 4 of Notes to the Financial Statements (Page 81 of the Annual Report 2021), it was noted that there were three major customers contributing to 93.3% of total revenue.

a) How many of these customers were supplied by FPI?

b) Does customer A or B rent a factory building from FPI?

A1. The Management was not able to disclose the information due to non-disclosure agreements ("NDA") were signed between parties.

Q2. Are the top three customers in 2021 remain the same as 2020?

The similar question was raised by Mr Yoong Peng Sam, enquired whether FPI is the sole service provider to the three major clients, for the product or component being produced.

A2. The Management was not able to disclose due to the NDA.

Q3. What is the number of production operator that FPI planned to increase in 2022 compared to 2021?

The similar question was raised by Mr Yoong Peng Sam on the Company's current staff count and the percentage of shortage from the optimal number.

A3. It would be subject to the availability, workers returning upon permit expiry, turnover rate and the condition of the sales order. The Group currently has an approximately 2,600 staffs.

Q4. What is the percentage of direct labor costs contributing to the total cost of sales?

A4. The percentage would be varied according to product types and its values.

Q5. Is the revenue in 2022 expected to be better than 2021?

A5. The Management would do their best despite the challenges and threats remain and gaining traction.

5. Mr Yong Peng Sam, a shareholder, raised the following questions:-

Q1. What is the plan for the newly acquired facility (No. 2 Lebu 1, Bandar Sultan Suleiman)?

If it is used for production, how much additional capacity expansion will be brought, any contract is secured for the production and when will it be commenced?

A1. There was no change to the production floor area as the property acquired was previously rented.

Q2. What is the update for the 22-hectare land next to the factory of Wistron Corporation ("Wistron")?

A2. Negotiation was still ongoing with some customers.

Q3. The gross margin in FY2021 was improved to double digits, what have contributed to this and how sustainable it is? In the rising costs environment, did customers pass over some cost pressure, and will FY2022 gross margin for FPI go back to single digit?

A3. The improved margin in FY2021 was attributable to demand increased by customers and favorable foreign exchanges rates. The Company would expect cost pressure from rising inflationary environment and implementation of Minimum Wages Order 2022. The Management promised to strike for the best.

Q4. Mr Yong Peng Sam put on record his compliment to the Management and all staffs for the commendable result for FY2021 considered the tough environment. He enquired what were done to deliver the good result, while some peers in the industry suffered by lower production and rising cost.

A4. The Management thanked for his compliment.

Q5. How is the application for foreign labour intake going on, what is the target number to bring in and when it is estimated to be completed?

A5. It was ongoing but had been running behind schedule due to delays in recruitment process. The Group targeted the recruitment process to be completed in stages through 2022.

Q6. Based on Annual Report 2021, the staff count was 2,810. Is the fourth quarter ("Q4") of FY2021's result achieved by having this number of staff?

A6. The staff count was derived from year end count.

Q7. In the next 1 to 2 years, does Management anticipate any new growth opportunities for FPI to capture?

Any action or plan has been taken to capture these opportunities?

A7. The Management would believe growth opportunities for audio products to remain healthy and would not let go the chances easily.

Q8. The second quarter ("Q2") and third quarter ("Q3") of FY2021 were impacted by 60% workforce restriction.

While there is no more restriction this year, should the full year result in FY2022 be better than FY2021, or at least the revenue will be higher (barring unforeseen circumstances)?

A8. The Company would expect its business to face headwinds considering the factors such as labour shortage, component shortage, rising cost environment and uncertainty in the Ukraine and Russia war. It was noted that the Management promised to do all best.

Q9. The "other income" booked in the Statement of Profit or Loss for first quarter ("Q1"), Q2 & Q3 are much higher, what are these incomes and are they one-off? Why is other income for FY2021 Q4 much lower than previous quarters?

A9. The difference in 'other income' between FY2021 and FY2020 was mainly attributable to gain and disposal of a property in United Kingdom and higher gain on foreign exchange. Included in 'other income' were also other items such as rental income and interest income.

Q10. Based on information shared in previous AGM, Wistron supplied materials to FPI to produce smart devices that was later sold to Wistron. How bad has lockdown in China impacting the material supplies to FPI? Any possibility for FPI to produce such materials or source it locally?

A10. The lockdown in China has caused disruptions in supply. The Company constantly maintained good communication with suppliers and managed its inventory levels tactically in response to the lockdown in China and these had mitigated the supply disruptions. The Management certainly wished to explore domestic source of supply if it met the requirements.

6. Mr Ee Yih Chin, a shareholder, enquired the following:-

Q1. Refer to Note 20 of Notes to the Financial Statements, why did R&D costs reduce drastically from RM1.5 million in 2020 to RM0.1 million in 2021? Will the lack of investment in R&D affected the Group's competitive edge?

A1. The Company were spending large amount of money to improve the mechanical, acoustic engineering, production engineering and others like jig equipment to boost up its quality, production efficiency and engineering in all aspect for the business.

- Q2. Based on information disclosed on Page 81 of Annual Report 2021, revenue growth in three quarters of FY2021 has been contributed by Customer A's business.

Does the Management continue to see order growth from Customer A in 2022?

- A2. The Company would remain cautious for healthy sales orders in 2022 amid deteriorating factors such as uncertainty from Russia and Ukraine War, rising inflationary environment, components shortage, and barring any unforeseen circumstances.

- Q3. What are the quantitative guidelines or rule of thumbs to determine optimal net cash level?

- A3. The Company had been prudent to cash management in response to requirements for working capital, additional investment for production capacity and infrastructure and deployment of a sustainable dividend payment.

- Q4. What is the expected Capex for 2022 and 2023? What are the main Capex items?

- A4. The Group would expect to spend an estimated Capex of RM10 million to RM20 million for 2022 and 2023 on new business, R&D, factory and production re-layout as well as new automation.

- Q5. Refer to Note 21 of Notes to the Financial Statements, it mentioned the Directors' remuneration had increased from RM1.3 million in 2021 to RM3.3 million in 2022 and was mostly consist of "short term employee benefits".

(a) Are the short term benefits linked to business performance?

(b) Will the short term benefits be scaled back if the Group underperforms in FY2022?

- A5. Yes, the remuneration was largely performance based and driven.

- Q6. Refer to Statement of Profit or Loss on Page 69 of Annual Report 2021, it mentioned the administrative expenses had increased by 42% to RM17.4 million in 2021.

Why have the administrative expenses increased much faster than revenue?

- A6. The increase in administrative expenses was mainly due to a charge of RM5.6 million arising from share options granted under Employee Share Option Scheme.

Q7. As disclosed in Note 27 of Notes to the Financial Statements, the annual sales to Wistron had slightly declined to RM200 million in 2021.

What are the challenges to maintain the sales from Wistron? How to increase the sales?

A7. The Company would continue to collaborate for better integration.

7. Mr Joseph Lam Wai, a shareholder, enquired the following:-

Q1. With the increase in raw materials, does FPI has ability to increase its customers' contract price. If yes, what is the estimated time gap difference between increased material cost to increase in selling price?

A1. There was mechanism in place to mitigate any adverse impact from price fluctuation.

Q2. Is freight cost bear by customer or included in the contract price from the customer?

A2. It would depend on the sale's terms and conditions. The Company remain principally a manufacturer.

Q3. Inventory increase by RM40 million, is there any finished product in the inventory as of year end that is not able to ship out due to the delay in shipment arrangement? If yes, what is the amount?

A3. The amount of finished goods at year end that were not shipped out due to port congestion or shortage of containers was not significant. It had been shipped out after the year end.

Q4. Is Yamaha Guitar and Denon a new customer for FPI? What is the type of speaker product FPI produce for them? Is their deal as an original equipment manufacturer (OEM) or original design manufacturer (ODM)?

A4. The Management do not comment on a specific customer due to NDA.

Q5. Does the Company face labour shortage? If yes, what is the plan to overcome the challenge?

A5. The Group was facing challenges from labour shortage which has been persistent for a period of time. The recent opening of Country's borders was expected to relieve the situation in coming months.

Q6. Is the factory in Port Klang and Sungai Petani working on 24-hour?

A6. There are sections of production working on two shifts.

- Q7. In last year AGM, the Management mentioned that the Company was looking for vertical integration for expansion plan. Mr Joseph Lam Wai enquired an update on this matter.
- A7. The vertical integration was currently working well. The Management unable to disclose further information due to NDA.
- Q8. Revenue was increased 23% while workforce reduced by 20%. Net increase in Capex after depreciation is RM9 million. How does the Company achieve this?
- A8. Apart from product mix that had boosted sales, innovative production methods assisted by in-house designed and developed tools and jigs and semi-automation machines.

8. Mr Yeong Siew Yan, a shareholder, enquired the following:-

- (a) Please elaborate the key of growth for FPI's businesses.
- (b) Apart from existing conventional speaker/product, are there any innovative products in the pipeline to boost and sustain FPI's profit growth?
- (c) Will FPI involve in electric vehicle (EV) industry, such as smart speaker or audio devices in the vehicle?

The Management responded that the Group manufactures wide range of audio products including TV speakers, home theaters, smart speakers, portable speakers, musical instrument and audio components. The Company's nature of business remains strong as usual.

9. Mr Wong Lean Huat, a shareholder, raised the following questions:-

- Q1. How does the Management see the Company in terms of share capitalisation within the next 3 years?

What is the expected Compound Annual Growth Rate (CAGR) on net profit within the next 3 years?

- A1. The Management would not comment on the market capitalisation and profit forecast.

- Q2. Has the Company look into other businesses which will give higher return of investment?

Any proposal for bonus issue within the next 3 years?

- A2. The Group would continue to focus on business that it does best. Currently the Company did not have any plan for bonus issue.

- 10.** Mr Ng Chee Keong, a shareholder, asked how the Russia-Ukraine war has affected the business of the Company and its prospects.

The Russia-Ukraine war and imposition of sanctions were hitting economies globally. The Company and its final customers were expected to bear the brunt. The Management would monitor the impacts closely.

- 11.** Ms Kok Chiew Sia, a proxy, enquired the following:-

Q1. Account Payable Days had been hovering around 80-100 days in the last 3 years. This is higher than Trade Receivable Days of 50-60 days and Inventory Turnover Days of around 25-30 days. As a result, Cash Conversion Cycle had been very strong at negative 10-20 days.

Can the Company provide more details on who are the creditors and why FPI could receive higher credit days?

A1. The credit terms were within the normal range. The Management would not comment on individual creditor due to NDA.

Q2. Ms Kok Chiew Sia commended for the outstanding performance in FY2021. She noted that sales in FY2021 grew 22.6% year-of-year attributable to higher sales volume and change in sales mix but hard to imagine which product category had garnered better demand. She enquired for the sales breakdown by product category.

A2. The Company was principally a manufacturer for audio related products and components.

(iii) Live questions posted during the AGM

The Chairman had addressed the following questions received via the Query Box:-

- 1.** Mr Huang Xiang En, a shareholder, mentioned that starting from FY2019, FPI has had Customer C contributed to 20-25% of revenue. He enquired the Management to provide some details and information of Customer C. He also enquired whether the Management see this to be a long term business relationship as well similar to Customer A & B.

The Chairman replied that the Company was unable to disclose information of Customer C due to the NDA signed between the parties but assured that Customer C would be a long term business partner of the Company.

- 2.** Ms Khow Cheah Yong, a shareholder, raised the following questions:-

Q1. Wistron setup a new factory at Petaling Jaya will be a threat (take back some products to Wistron production) or beneficial (give more orders due to more products exposure in Malaysia) to FPI?

A1. Wistron is one of the Company's single largest shareholders. The Company would continue to collaborate with them.

Q2. Recommended the Company to pay dividend twice a year (split the dividend amount) instead of once a year.

A2. The Company decided to pay dividends once a year at the moment to reduce administrative works and to save cost. Any periodic dividend payment would be subject to the Company's performance.

Q3. The reason why the Management of the Company do not carry out analyst briefing by quarterly, half-yearly or yearly.

A3. FPI is an OEM and ODM but not a branding company. Customer orders would depend on market situation and its customer were from different market sectors. Hence it would be difficult for the Company to carry out briefing with analysts on a quarterly, half yearly or yearly basis.

3. Mr June Wong Chun Kiat, a shareholder, enquired the following:-

(a) What are the major opportunities and challenges facing the Company?

(b) What are the Company's key competitive advantages?

(c) Does the Company plan to diversify into new markets, products, or businesses?

The Company spent considerable amount in new business, research and development, factory and production re-layout every year and it has brought the Company to remain in competitive position. The Management team would do the best to grab any opportunity in new markets and to pursue for new products.

4. Mr Lam Yuet Ming, a shareholder, had requested the Company to send him a printed copy of the Annual Report 2021.

The Chairman informed that the Annual Report 2021 could be downloaded from the Company's website. Shareholders could also send an email to the Company's share registrar to request for the printed copy of the Annual Report 2021.

5. Mr Lim Thean Yeong, a shareholder, enquired the following:-

(a) How was the shortage of chip affecting the Company's business?

(b) Does the Company feel any slowdown in order currently?

(c) What is the plant utilisation rate?

The Chairman explained that the shortage of chips was a worldwide situation. It was noted that some of the suppliers are unable to supply materials to the Company due to the shortage and this has resulted in higher inventory level of raw materials. The staff worked hard to ship out the finished products as soon as possible once the supplies are available.

6. Mr Tan Yet Siong, a shareholder, mentioned that the Group's financial performance usually stronger in Q3 but it seems that the financial performance was getting more stable growth last year. He enquired whether this trend would be continued.

The Chairman explained that the imposition of lockdown and the requirement of 60% workforce capacity in 2021 had resulted in the delay of supplying the orders. The business environment and the market situation changed rapidly, therefore the Chairman was of the view that it would be too early to comment on the performance of the Company for year 2022. The Management of the Company expected to have a stable and was hopeful for a growth of business in this year and would monitor closely the inventory level of the Company and the market situation.

7. Mr Rajkumar A/L Periannan, a shareholder, mentioned that there has been increased geopolitical tension between China and Taiwan, with China recently reported conducting military exercises for possible re-unification by military force. He enquired how was the Management view this and any actions could be taken to mitigate against this scenario actually taking place.

The Chairman stated that it would be difficult to comment on political issues. He pointed out that the Company has diversified all its parts supply as well as diversified its market with different categories of customers to mitigate risks.

8. Mr Chow Pak Shin, a shareholder, asked whether high possibility to remain RM0.20 per share for dividend to be declared for FY2022?

The Chairman replied that the Company does not have any fixed dividend policy but hoped to maintain the dividend payment quantum, subject to performance of the Company.