

PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD
198801004954 (172312-K)



ANNUAL REPORT 2019

2	Corporate Information
4	Group Managing Director's Statement
6	Management Discussion & Analysis
11	Notice of Annual General Meeting
18	Profile of Directors
22	Profile of Senior Management
23	Corporate Structure
24	Sustainability Statement

WHAT'S

Wireless Speaker Products <

Musical Instrument Products <

Conventional Speaker Products <

INSIDE

32	Corporate Governance Overview Statement
43	Other Information
44	Statement On Risk Management And Internal Control
50	Audit Committee Report
53	Financial Statements
125	Analysis of Shareholdings
127	List of Properties
	Proxy Form

CORPORATE INFORMATION



BOARD OF DIRECTORS

Shih Chao Yuan <
Group Managing Director

Chen Ching Sen <
Independent
Non-Executive Director

Leow Ing Seng <
Senior Independent
Non-Executive Director

Lim Chung Yin <
Independent
Non-Executive Director

Shen Ching Yao <
Non-Independent
Non-Executive Director

Koh Meng Ching <
Executive Director

> AUDIT COMMITTEE

Lim Chung Yin
Chairman,
Independent
Non-Executive Director

Leow Ing Seng
Senior Independent
Non-Executive Director

Chen Ching Sen
Independent
Non-Executive Director

> NOMINATION COMMITTEE

Leow Ing Seng
Chairman,
Senior Independent
Non-Executive Director

Lim Chung Yin
Independent
Non-Executive Director

Chen Ching Sen
Independent
Non-Executive Director

> REMUNERATION COMMITTEE

Chen Ching Sen
Chairman,
Independent
Non-Executive Director

Leow Ing Seng
Senior Independent
Non-Executive Director

Lim Chung Yin
Independent
Non-Executive Director

> PRINCIPAL BANKERS

CIMB Bank Berhad
RHB Bank Berhad
Citibank Berhad
United Overseas Bank (Malaysia)
Berhad

> COMPANY SECRETARIES**Lim Hooi Mooi**

SSM PC NO. 201908000134
MAICSA 0799764

Wong Wai Foong

SSM PC NO. 202008001472
MAICSA 7001358

> AUDITORS**BDO PLT**

(LLP0018825-LCA & AF0206)

Chartered Accountants
Level 8, BDO @ Menara Centara
360, Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur

> REGISTERED OFFICE

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Tel : 03-2783 9191

Fax : 03-2783 9111

> SHARE REGISTRAR**Tricor Investor & Issuing House
Services Sdn Bhd**

Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Tel : 03-2783 9299

Fax : 03-2783 9222

Tricor Customer Service Centre

Unit G-3, Ground Floor
Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

> PRINCIPAL PLACE OF BUSINESS

No. 1, Lebu 1
Bandar Sultan Suleiman
Taiwanese Industrial Park
42000 Port Klang
Selangor Darul Ehsan

> STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

> WEBSITE

www.fp-group.com

GROUP MANAGING DIRECTOR'S STATEMENT



> Dear Ladies and Gentlemen,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Audited Financial Statements of Formosa Prosonic Industries Berhad for the financial year 31 December 2019 (“FY 2019”).

FY2019 A year in Review

I am glad to report that FPI has delivered a creditable performance in 2019. Despite an uncertain macro environment arising from geopolitical trade tensions and challenges in supply chains, sales increased across all business segments with notable contribution from complete product orders.

FPI supported the successful launch of several new and replacement products during the year. This has validated our one-stop manufacturing and engineering capabilities provided to our customers with the advantage of faster time-to-market, better quality control, competitiveness and prudent cost management. These achievements reaffirm our distinctive position in the value chains that are acknowledged and treasured by our customers.

The Group turned in remarkable sales of RM766.2 million for the full FY2019, an increase of 36.7% year-on-year. Profit before tax increased by 20.4% to RM54.3 million from RM45.1 million a year ago. Consequently, net profit attributable to shareholders increased to RM41.8 million from RM36.6 million for reasons aforementioned despite with a higher effective tax charge. The Group continued to achieve strong operating cashflows with an EBITDA of RM67.0 million for the FY2019.

More detailed management discussion and analysis on the performance and operations is disclosed on pages 6 to 10.

GROUP MANAGING
DIRECTOR'S STATEMENT**Opportunity, Challenges and Outlook**

As we advance into new financial year 2020, we are witnessing severe global economic downturn and markets that tend to anticipate changes that might result in a drop in worldwide demand. The global economic is slowing down, supply-chain costs are rising, leading to a steady decline in spending worldwide. To strive and continue to survive so to be able to compete in the market, FPI will

1. Maintain our focus with our current customers by providing strong engineering back-up and improving professional labour to increase productivity.
2. Pay extra attention to our supply chain and work closely with suppliers' engineering to lower part cost.
3. Maximize our productivity and increase our speed through enhanced product and process design capabilities.
4. Further enhance and strengthen our quality control measures in order to further reduce costs.
5. Last but not least, continue to provide training for all engineers, business team and many other employees.

We are confident that we would be able to deal with the new changes in worldwide economic by working very closely with our customers and suppliers to minimise/mitigate any disruptions. Although in very challenging times, and it is not the first time FPI has to face through tough operating conditions. FPI will continue to remain a fundamentally strong company which is bolstered by the strong support from our various stakeholders.

The Group anticipates this year will be a very tough and challenging year in view of economic downturn and turmoil in the global market which have resulted in lower sales and higher operating costs, and barring unforeseen circumstances, the Group expects its performance for the financial year 2020 to be impacted.

RM27.2 million paid in dividends at 11.0 sen per share

The Board had declared and paid a first interim single tier dividend of 11.0 sen per share amounting to RM27.2 million for FY2019 (FY2018: 10.0 sen per share or RM24.7 million).

Acknowledgement

The Board would like to extend its sincere gratitude to its shareholders, business partners and customers for their long-standing support, cooperation and loyalty over the past decades. The Board and the Management will continue to strive to ensure that the interests of all stakeholders are duly addressed as we work towards a sustainable future for all.

Non-Independent and Non-Executive Director Puan Hartini Binti Zainal Abidin has resigned on 8 November 2019. On behalf of the Management and my fellow Directors, I would like to express our deepest gratitude to Puan Hartini Binti Zainal Abidin for her dedicated service. Puan Hartini's professionalism and dedication have been invaluable to Board deliberations and decision-making.

FPI welcomed a new Executive Director to its Board. Mr Koh Meng Ching was appointed with effect from 22 August 2019. This appointment brings to the Board a wealth of knowledge and experience.

Thank you.

Shih Chao Yuan

Group Managing Director

28 May 2020
Kuala Lumpur, Malaysia

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW OF BUSINESS OPERATIONS

Formally established in 1989, Formosa Prosonic Industries Berhad (“the Company or FPI”) is one of the leading manufacturers of high quality sound system in Malaysia with a strong team of audio experts each of whom has over 30 years of experience in the design, manufacturing and marketing of sound system products to worldwide multinational companies. With proven engineering expertise and unsurpassed experience, the Group has evolved from the manufacturing of conventional speaker systems to smart audio systems and musical instrument components including the design and development of wireless and bluetooth speakers with cutting edge functionality and seamless connectivity. This augur well for the better growth prospects of FPI.

FINANCIAL RESULTS AND POSITIONS

Sales Performance

The Group reported strong growth in sales by RM205.7 million or 36.7% to RM766.2 million in the FY2019 compared to RM560.5 million in the FY2018 with all business segments delivered year-on-year increase in sales attributable to increase in orders.

During the year, we assisted several customers in their new product introductions and replacement product launches. Credit is given to our business, engineering and production team that have worked very hard and diligently having made the new products successfully. It is worth mentioning that over the years, the Group has managed to steer its business towards more high value-added products that require strong engineering capabilities. By improving our technical knowledge and skillsets both in engineering and production across various business segments, we are able to partner and support many leading global audio leaders in wide range of products.

The Group’s continuous focus to strengthen its own capabilities and capacities to enhance its attractiveness had been a key contributing factor. These include building a growing pool of talent, providing innovative solutions, always subscribing to cost optimisation, as well as identifying and increasing our participation in the product development and materials selection and application. With these complimentary strength and capabilities, the Group is channelled for more productive and desirable outcomes.

MANAGEMENT DISCUSSION
& ANALYSIS

The following table and chart highlight the Group's financial performance for the past three financial years.

In RM'000	Year ended 31-12-2019	Year ended 31-12-2018	Year ended 31-12-2017
Revenue	766,198	560,520	461,182
Profit Before Tax	54,323	45,078	47,406
Profit After Tax	41,786	36,633	40,491
EBITDA	66,950	53,296	52,736
EBITDA Margin	8.7%	9.5%	11.4%
ROE	13.5%	12.5%	14.7%
ROA	8.5%	8.2%	10.2%

The Group registered higher earnings before interest, tax, depreciation and amortisation (EBITDA) in the FY2019 of RM67.0 million from RM53.3 million in the FY2018 mainly attributable to higher sales volume and change in sales mix.

The Group's Return on Equity ("ROE") and Return on Assets ("ROA") increased to 13.5% (2018: 12.5%) and 8.5% (2018: 8.2%) respectively due to higher profitability as a result of the aforementioned factors.

As in previous years, the Group continued to upgrade its existing management execution systems that allow tracking of machines performance and utilisation and monitoring of equipment effectiveness to ensure optimal level of use. The Group has also enhanced the existing tracking systems covering the materials store, production and logistic areas which are crucial to reduce downtime and defect issues. These execution systems have also been extended beyond shop-floor production management to the monitoring and control of facilities and equipment maintenance, the calibration of jigs, fixtures and tools, as well as matching workers' skillsets against workstation requirements.

It is part of FPI's culture to pursue continuous process improvement. In order to cope with the on-going quality demand, high volume manufacturing of products and the need to reduce machine downtime risk, the Group has continued to invest substantially in new injection machines, CNC machines, fully and semi-automated machines. Furthermore, internal training programmes were conducted throughout the year and these have helped to enhance the operational and inspection knowledge of workers.

MANAGEMENT DISCUSSION & ANALYSIS

Financial Positions

The table below highlights the Group financial positions as at 31 December 2019.

In RM'000	Year ended 31-12-2019	Year ended 31-12-2018	Change in value
Non-current assets			
Property, plant and equipment	88,610	128,152	(39,542)
Right-of-use assets	40,927	-	40,927
Others	84	-	84
Current assets			
Inventories	47,462	47,677	(215)
Trade receivables	103,714	93,227	10,487
Cash and deposits	203,696	167,830	35,866
Others	7,260	11,286	(4,026)
Non-current liabilities			
Deferred tax	4,390	4,778	(388)
Lease liabilities	2,752	-	2,752
Current liabilities			
Trade payables	120,357	88,283	32,074
Lease liabilities	2,311	-	2,311
Others	41,860	51,172	(9,313)
Non-controlling interests	10,116	10,801	(685)
Equity attributable to shareholders	309,967	293,138	16,829
Net Asset Per Share (RM)	1.25	1.19	0.06
Cash Per Share (RM)	0.82	0.68	0.14
Debt/Equity Ratio (times)	N/A	N/A	N/A

The Group continued to display strong balance sheet for the year ended the year 2019. Financial position remained solid with net cash of RM203.7 million, an increase of 21.4% from RM167.8 million at end of 2018 mainly attributable to strong operating cash flow and lower capital expenditure. Total shareholders' funds amounted to RM310.0 million, an increase of 5.7% as compared to 31 December 2018. Book value per share was higher at RM1.25 as compared to RM1.19 at 31 December 2018, an increase of 5%.

The trade receivables turnover improved to 49 days from 61 days attributable to vigorous credit vetting and monitoring which was consistent with the terms granted. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing credit exposure. Inventory level remained largely unchanged despite significantly higher sales value. This has resulted in reduced inventory turnover to 23 days from 31 days thus driving down inventory holding cost and reducing possible slow moving and obsolete inventory. These were achieved on the back of strong Just-In-Time ("JIT") manufacturing including streamlining and synchronising the receiving store and incoming quality control ("IQC") so that the incoming materials received are inspected in a JIT manner. IQC operations were reconfigured so that material specifications and inspection samples can be supplied directly to the inspection stations, thereby reducing handling activities by inspectors.

MANAGEMENT DISCUSSION
& ANALYSIS**Cash Flows**

The table below highlights the Group's cash flows and cash flows position for the year ended 31 December 2019.

In RM'000	Year ended 31-12-2019	Year ended 31-12-2018	Change in value
Operating activities	71,297	61,404	9,893
Investing activities	(6,008)	(22,998)	16,990
Free cash flows ¹	65,289	38,406	26,883
Financing activities	(28,258)	(19,789)	(8,469)
Net increase/(decrease) in cash and cash equivalents	37,031	18,617	18,414
Cash and cash equivalents at end of year	203,563	167,664	35,899

¹ Free cash flow equals operating cash flows plus investing cash flows

The Group continued generating positive and healthy free cash flows. Our track record of sustainable returns to shareholders is based on our disciplined approach to business and the use of all our resources, including financial resources. In terms of cash, we maintained zero bank borrowings and practise prudent and focused management over working capital. The Group's cash and cash equivalents surged to RM203.6 million as at end of 2019 from RM167.7 million as at end of 2018 mainly due to strong cash generation and lower capital expenditure.

The Group has always treated our cash as a strategic asset and deployed it prudently at both the strategic as well as tactical levels. To cope with our organic growth, we have always maintained a certain level of spare production capacity and cash reserves for additional production capacity with investments in infrastructure, factory building, and production machinery and equipment. On the tactical front, our cash is deployed to fund working capital flow and commercial contingencies, and the deployment of a sustainable dividend payment.

RISKS AND EXPOSURE**Changing Nature of Products**

Consumers' rising needs and expectations around personalisation, lifestyle and customisation are causing businesses to bring more sophisticated and smart products into the market and these require the Group to constantly upgrade its technical and engineering capabilities.

Changing Economic of Production

The rapid advances in technology including use of robotics and material science have led to further advancement in the manufacturing sectors. The availability of less expensive manufacturing tools, quicker access to sophisticated design and tooling capabilities for use in prototyping and production have lowered the barrier to entry in this industry. These push the Group to grapple with issues such as cost competitiveness with others.

Foreign currency exposures

The Group's operating results and cash flows are exposed to foreign currency exchange risks as it imports direct materials such as resin, wood and metal parts from abroad. In addition, purchases of plant and machinery are also denominated in foreign currencies. The risk exposure is partially offset by export proceeds, and the residual risks are managed by entering into forward contracts.

MANAGEMENT DISCUSSION & ANALYSIS

Credit risk

It is the industry norm to sell our products to customers on credit. The Group typically grants credit terms of between thirty (30) to ninety (90) days, subject to a credit limit set upon the evaluation of credit worthiness of each customer. Credit terms and limits are evaluated annually and ageing reports are reviewed monthly to identify slow paying customers so that appropriate actions can be taken to recover those debts.

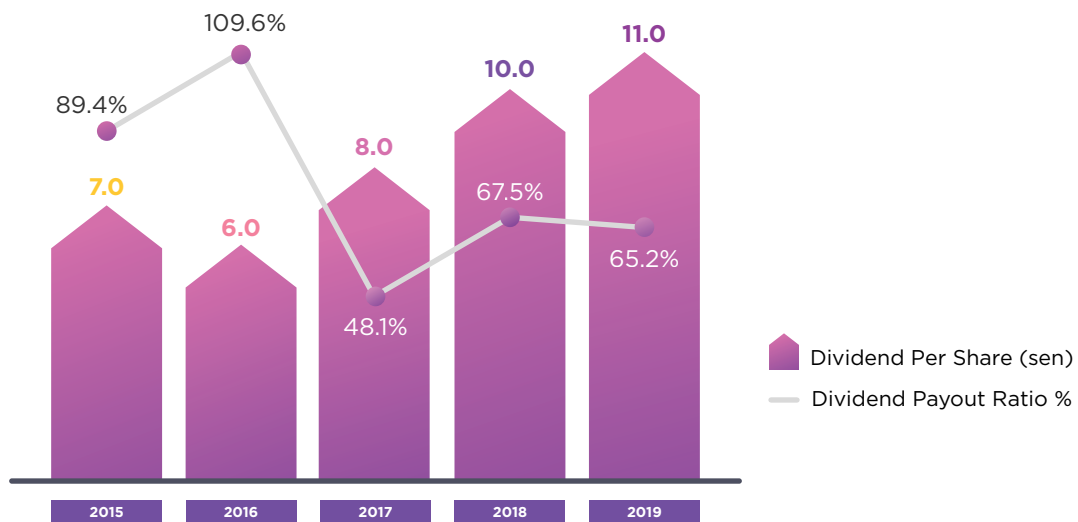
CAPITAL

Capital Expenditure

Moving forward, the Group's capital expenditure is principally anchored for the expansion of production capacity including mechanisation of production, upgrading of engineering and technical capabilities and strengthening of human capital. The budgeted capital expenditure will be fully funded by internally generated funds.

Dividend

The chart below highlights the Group's dividend per share and payout ratio for the past five financial years.



The Board has declared a first interim single tier tax exempt dividend of 11.0 sen per share in respect of the financial year ended 31 December 2019 (FY2018: 10.0 sen). The dividend was paid on 17 April 2020 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 3 April 2020.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Second Annual General Meeting of the Company will be held at Crown Hall, Level 1, Crystal Crown Hotel Harbour View, 217 Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan on Thursday, 25 June 2020 at 10.00 a.m. for the following purposes:

- | | |
|---|---------------------|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 and the Reports of the Directors and the Auditors thereon. (Please refer to Note No. 2) | |
| 2. To approve the payment of Directors' Fees in respect of the financial year ended 31 December 2019. | Resolution 1 |
| 3. To approve the payment of Directors' benefits of up to RM1,200,000 for the financial period from 1 July 2020 to 30 June 2021. (Please refer to Note No. 3) | Resolution 2 |
| 4. To re-elect the following Directors retiring in accordance with Clause 117 of the Constitution of the Company:- | |
| 4.1 Mr Chen, Ching-Sen | Resolution 3 |
| 4.2 Mr Leow Ing Seng | Resolution 4 |
| 5. To re-elect Mr Koh Meng Ching retiring in accordance with Clause 124 of the Constitution of the Company | Resolution 5 |
| 6. To re-appoint BDO PLT as the Auditors of the Company and to authorise the Directors to fix their remuneration. | Resolution 6 |

As Special Business

To consider and if thought fit, to pass the following as Ordinary Resolutions:

- | | |
|---|---------------------|
| 7. Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016 | |
| <p>“THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to approvals from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and other relevant authorities, where approval is necessary, authority be and is hereby given to the Directors to allot and issue shares in the Company at any time upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares to be issued shall not exceed 10% of the total number of issued shares of the Company for the time being AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.”</p> | Resolution 7 |

NOTICE OF ANNUAL GENERAL MEETING

8. Proposed Renewal of Authority for Share Buy-Back

THAT subject always to the Companies Act 2016 (“the Act”), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”) 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 Annual General Meeting 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 annual general meeting 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.

Resolution 8

NOTICE OF ANNUAL
GENERAL MEETING

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.

9. 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 28 May 2020 ("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.

Resolution 9

NOTICE OF ANNUAL GENERAL MEETING

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 Annual General Meeting (“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 Companies Act 2016 (“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.”

10. Retention of Independent Directors in accordance with the Malaysian Code on Corporate Governance

“**THAT** the following Independent Directors who have served in the Company for more than nine (9) years be hereby retained as Independent Directors and to hold office until the next Annual General Meeting:-

10.1 Mr Leow Ing Seng

10.2 Mr Lim Chung Yin

11. To transact any other business of the Company of which due notice shall have been given.

By Order of the Board

LIM HOOI MOOI (SSM PC No. 201908000134) (MAICSA 0799764)
WONG WAI FOONG (SSM PC No. 202008001472) (MAICSA 7001358)
Joint Company Secretaries

Kuala Lumpur
Dated: 28 May 2020

Resolution 10

Resolution 11

NOTICE OF ANNUAL
GENERAL MEETING

NOTES

1. Appointment of Proxy

- A Member of the Company who is entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him.
- A Member of the Company who is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA") may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- A Member of the Company who is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- Where a Member or an exempt authorized nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- A proxy need not be a Member of the Company. A proxy appointed to attend and vote shall have the same rights as the Member to speak at the meeting.
- The appointment of a proxy may be made in hard copy form or by electronic form. The hard copy of instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its common seal or the hand of its officer or its duly authorised attorney.
- In the case of an appointment made in hard copy form, the proxy form must be deposited with the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. In the case of electronic appointment, the proxy form must be deposited via TIIH Online at <https://tiih.online>. Please refer to the Administrative Guide for further information on electronic submission.
- All proxy form submitted must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting or adjourned Annual General Meeting at which the person named in the appointment proposes to vote.
- For the purpose of determining a Member who shall be entitled to attend and vote at the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 18 June 2020 and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxies to attend and vote in his stead.

2. Agenda Item No. 1

This item of the Agenda is meant for discussion only. The provisions of Section 340(1) of the Companies Act 2016 require that the audited financial statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such this Agenda item is not a business which requires a resolution to be put to vote by shareholders.

3. Agenda Item No. 3 – Resolution 2

This proposed Resolution No. 2 is to facilitate payment of Directors' benefits for the period from 1 July 2020 until 30 June 2021 (the due date for holding the Company's next Annual General Meeting in 2021). In the event the Directors' benefits proposed are insufficient (e.g. due to more meetings or enlarged Board size etc.), approval will be sought at the next Annual General Meeting for the additional amount to meet the shortfall.

NOTICE OF ANNUAL GENERAL MEETING

4. Explanatory Notes on Special Businesses

i) Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed Resolution No. 7, seeking a renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration. Should the mandate be exercised, the Directors will utilize the proceeds raised for working capital or such other applications they may in their absolute discretion deem fit. As at the date of the Notice, the Company has not issued any new shares under this general mandate.

ii) Proposed Renewal of Authority for Share Buy-Back

The proposed Resolution No. 8, if passed, will empower the Directors of the Company to purchase up to 10% of the total number of issued shares of the Company by utilizing the funds allocated which shall not exceed the retained profits of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

For further information, please refer to the Share Buy-Back Statement dated 28 May 2020 accompanying the Company's Annual Report for the financial year ended 31 December 2019.

iii) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Resolution 9 is to seek a renewal of Shareholders' Mandate to allow the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature and to enable the Company to comply with Paragraph 10.09, Part E of the Listing Requirement for the Main Market of Bursa Malaysia Securities Berhad. The mandate will take effect from the date of the passing of the Ordinary Resolution until the next Annual General Meeting of the Company. For further information, please refer to the Circular to Shareholders dated 28 May 2020 accompanying the Company's Annual Report for the financial year ended 31 December 2019.

iv) Retention of Independent Directors pursuant to the Malaysian Code on Corporate Governance

The proposed Resolutions No. 10 and No. 11 are to seek shareholders' approval on the retention of Directors who have served as Independent Directors for more than nine (9) years in the Company.

The Nomination Committee and the Board of Directors of the Company have at their annual assessment determined that the Independent Directors are objective and independent in expressing their views and in participating in deliberations and decision making of the Board and Board Committees. The length of their service on the Board does not in any way interfere with the exercise of independent judgement and their ability to act in the best interests of the Company. The Company therefore tables the proposal to retain Mr. Leow Ing Seng and Mr. Lim Chung Yin as Independent Directors.

NOTICE OF ANNUAL GENERAL MEETING

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. There is no person seeking election as director of the Company at this Annual General Meeting.
2. General mandate for issue of securities
Kindly refer to the Explanatory Notes on Special Businesses - Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016 under Note 4(i) of the Notes to the Notice of the Thirty-Second Annual General Meeting.

PROFILE OF DIRECTORS



SHIH CHAO YUAN

Group Managing Director

- > **AGED** 64
- > **GENDER** Male
- > **NATIONALITY** Taiwanese

SHIH CHAO YUAN was appointed as Director and Managing Director of FPIB Group of Companies on 4 May 1989. Mr. Shih holds a Master Degree in Management Science from Taiwan National Chiao Tung University. He came to Malaysia in 1986 to set up Formosa Prosonic Industries Sdn Bhd. He is instrumental for the rapid growth and success of the FPIB Group and is responsible for its business development. Prior to joining the FPIB Group, he was Assistant to the President of Friendship Corporation in Taiwan and was actively involved in the management and affairs of Friendship Corporation. He has in-depth knowledge, expertise and experience in speaker systems operations, and has a network of business contacts in the electrical and electronic product industry.

Mr. Shih holds directly 6,000,000 ordinary shares or 2.43% interest in the Company and 2,016,000 ordinary shares indirectly via his spouse.



CHEN CHING SEN

Independent Non-Executive Director

- > **AGED** 66
- > **GENDER** Male
- > **NATIONALITY** Taiwanese

CHEN CHING SEN was appointed as an Executive Director of FPIB Group on 24 July 2002. He holds a Diploma in Mechanical Engineering from Taiwan Technical College and has more than 35 years experience in management and production planning of speaker systems. Mr. Chen has been redesignated as Independent Non- Executive Director since August 2014.

In 1989, he joined FPIB Group of Companies and aids the Managing Director in the planning of product development and marketing strategy.

Later, he was promoted as General Manager of Speaker System Division. In 1999, he was transferred to Quality Control Department where he was tasked to ensure that FPIB's product quality meets with international standards.

Mr. Chen is the Chairman of Remuneration Committee and a Member of the Audit Committee and Nomination Committee of the Company.

Mr. Chen holds directly 1,500,000 ordinary shares or 0.61% interest in the Company.



LIM CHUNG YIN

Independent Non-Executive Director

> AGED	62
> GENDER	Male
> NATIONALITY	Malaysian

LIM CHUNG YIN was appointed as an Independent Non-Executive Director of FPIB on 28 May 2002. Mr. Lim is a Fellow Member of the Association of Chartered Certified Accountants (United Kingdom).

Mr. Lim has over 22 years experience in accountancy in United Kingdom and Malaysia. He was formerly the Vice President in the Corporate Finance Department of a leading merchant bank. Mr. Lim sits on the Board of a number of private companies.

Mr. Lim is the Chairman of Audit Committee and a Member of the Remuneration Committee and Nomination Committee of the Company.

Mr. Lim holds directly 200,000 ordinary shares or 0.08% interest in the Company.



LEOW ING SENG

Senior Independent Non-Executive Director

> AGED	72
> GENDER	Male
> NATIONALITY	Malaysian

LEOW ING SENG was appointed as an Independent Non-Executive Director of FPIB on 1 Feb 1996. He is currently the Senior Independent Director to whom all concerns regarding the Group may be conveyed. Mr. Leow holds a Bachelor Degree in Industrial Engineering from the University of New South Wales, Australia and a Master Degree in Business Administration from Massey University, New Zealand. He started his career as an Industrial Engineer with private and multinational companies. His last posting was the Executive Director of an Electrical & Electronic subsidiary of a public listed Company. The 40 years of varied experience he has covered are business development, trading, manufacturing business and management.

Mr. Leow is the Chairman of the Nomination Committee and a Member of the Audit Committee and Remuneration Committee of the Company.

Mr. Leow holds directly 200,000 ordinary shares or 0.08% interest in the Company.

PROFILE OF DIRECTORS



SHEN CHING YAO

Non-Independent Non-Executive Director

> AGED	54
> GENDER	Male
> NATIONALITY	Taiwanese

SHEN CHING YAO was appointed as Director of FPIB on 6 August 2014. Mr. David Shen Ching Yao received his undergraduate degree in BA from National Chia- Tung University of Industrial Engineering and an MA from University of California Santa Barbara in EE & Computer Science.

Mr. Shen currently is the CEO of Wistron Smart Devices, a global leader in ICT products and services for OEM/ODM/JDM.

His career began with Acer in 1993, a global corporation with excellent brand product in Digital Satellite STB, Tablet PC, Notebook PC, communication server and many other IT products. In 2001, he served as Senior Director, Product Management IA product B.U. prior to the split of Acer to Wistron in May 2001.

2001 – 2002

Served as Senior Director, Digital Consumer Product BU in Wistron, Mr. Shen is responsible for new business development in VoIP phone, PDA, Smart Phone, Digital set-Top-Box and Media center PC.

2002 – 2005

General Manager, Manufacturing Service B.U responsible for Microsoft XBOX OEM business, Broadband Network devices and Motorola STB OEM business.

2005 – 2007

COO Digital Consumer B.G.

2007 – 2013

Group President, Digital Consumer B.G. He is managing the global operation of Wistron in Mexico, China and Taiwan, and all manufacturing service in LCD TV, digital appliances, tablet PC and smart phone.

He has deep experience in the IT/digital industries, including a solid understanding of key end markets and growth segments for Wistron. His executive leadership of an international ICT/digital products also provides substantial experiences in governance and broad experiences in many of the challenges the company faces, such as strategic planning, talent management and international operations.

Mr. Shen Ching Yao does not hold any shares in the Company or its subsidiary companies.



KOH MENG CHING

Executive Director

> AGED	52
> GENDER	Male
> NATIONALITY	Malaysian

KOH MENG CHING was appointed as Director of FPIB Group on 22 August 2019. Currently he is a Senior General Manager in charge of operations in Sungai Petani, Kedah. He joined FPI in 1993 as a production executive and was later promoted to the current position in 2017. He has vast working experiences and is exposed to various operations within the Group. He holds a diploma in accounting from YMM College.

Mr. Koh holds directly 120,000 ordinary shares or 0.049% interest in the Company.

Notes:-

Family Relationship

None of Directors have any family relationship with any other director and/or major shareholder of the Company.

Conflict of Interests

None of the Directors have any conflict of interest with the Company.

Conviction For Offences

None of the Directors have been convicted for any offences (other than traffic offences, if any) within the past five (5) years or imposed with any penalty by the relevant regulatory bodies during the financial year 2020.

Other Directorship

None of Directors have any other directorship in public companies and listed issuers.

PROFILE OF SENIOR MANAGEMENT

CHEONG HONG YIP

Male, a Malaysian,
aged 52

Mr Cheong is currently a General Manager in charge of operations in Port Klang. He joined FPI in 1993 as a Purchasing Executive. Later in his path of procurement and vast experience in plastic division, he was promoted to Manager of the division. Later, he was transferred to Corporate Management & planning Department where skill of management is used to plan, design and implement several corporate projects. He holds a Degree in International Business from National Taiwan University.

CHEW BOON HUA

Male, a Malaysian,
aged 51

Mr Chew is currently a General Manager of FPI Business Group. He is in charge of marketing & development of speaker system of FPI Group. He joined FPI in 1993 as a Production Planner and was later promoted to the current position in 2014. He has vast working experiences and is exposed to various operations within the Group. He holds a Degree in Industrial Management Science from Taiwan National Cheng Kung University.

CHONG LIEN KIEUNG

Male, a Malaysian,
aged 50

Mr Chong is currently a General Manager for finance and accounts department of the Group. He joined FPI in 2003 as a manager in the Executive Secretary Office and was later promoted to the current position in 2015. He is a fellow member of the Association of Chartered Certified Accountants (ACCA) and a member of the Malaysian Institute of Accountants (MIA). He graduated from University of Malaya in 1996 with a bachelor's degree of Arts major in Economics.

LIM CHUN HOOI

Female, a Malaysian,
aged 50

Ms Lim is currently a Senior Manager for internal controls and risk management. She joined FPI in 2005 as a manager in the Executive Secretary Office in 2005 and was later promoted to the current position in 2010. She is a fellow member of the Association of Chartered Institute of Management Accountants (ACMA). She holds a Diploma in Management Accounting from Tunku Abdul Rahman College.

KRIS CHANG SHIH YING

Male, a Taiwanese,
aged 51

Mr Chang is currently a General Manager in the Executive Secretary Office assisting in overall day-to-day operations of the Group with a focus on sales development and products management. He joined FPI in 2009 as a sales manager and was later promoted to the current position in 2014. He holds a degree in Environmental Engineering from Taiwan Tamkang University.

LIM CHOO WOOL

Male, a Malaysian,
aged 46

Mr Lim is currently a Senior Manager in Business Group with a focus on sourcing in the Sungai Petani operations. He joined FPI in 1998 as a management executive, paving the way for him to gain exposure and experience in various jobs including marketing, sourcing and production. He was later promoted to the current position in 2010. He holds a degree in Distribution from Nagasaki Prefecture University, Japan and he is fluent in Japanese language.

CHONG HUI LING

Female, a Malaysian,
aged 43

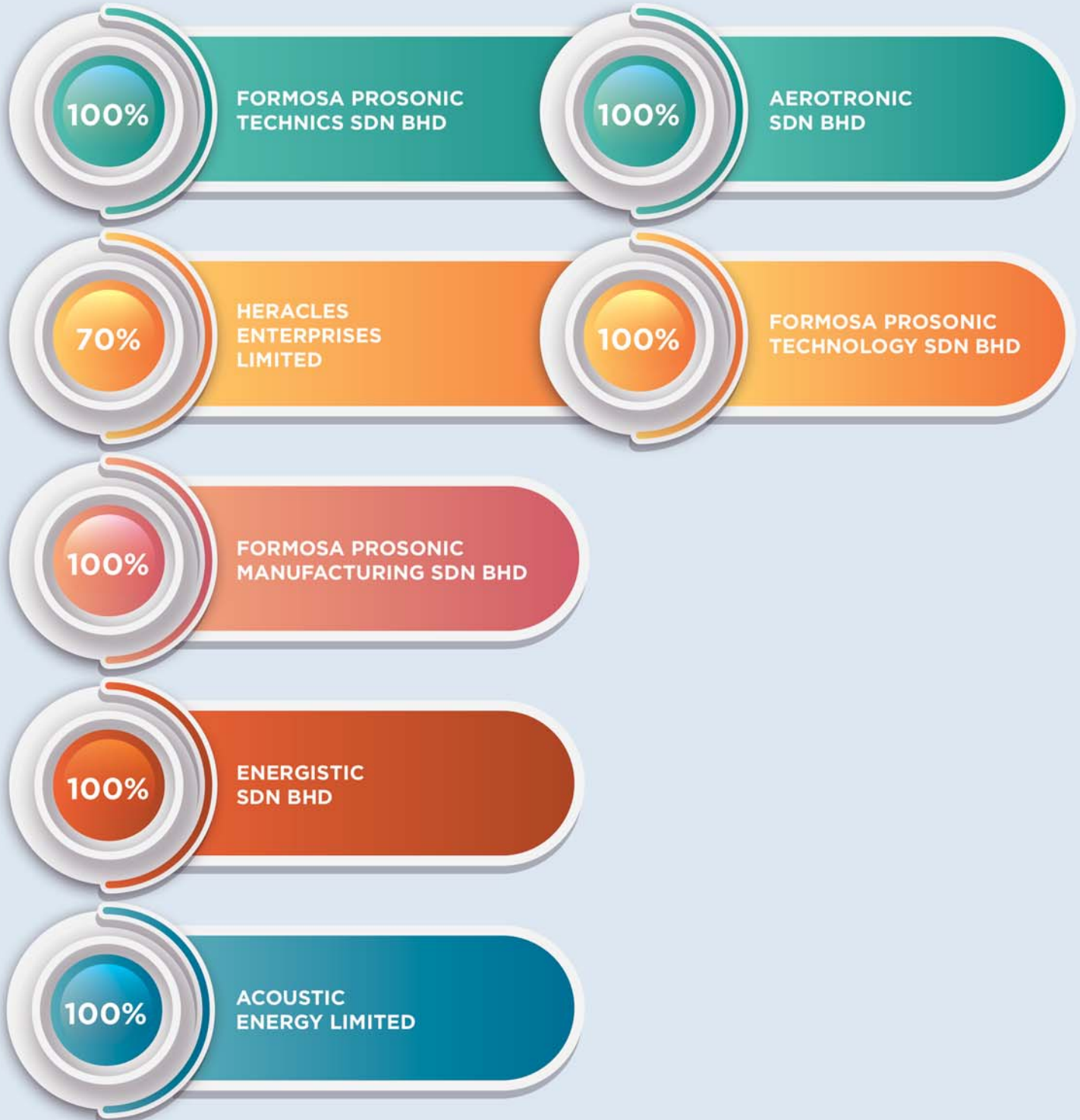
Ms Chong is currently a Senior Manager in Business Group with a focus on marketing and products development in the Sungai Petani operations. She joined FPI in 2003 as a costing executive. Later in her path she was exposed to various operations including business development, engineering and sourcing and was promoted to the current position in 2017. She holds a Bachelor Degree of Management Information System from Wichita State University, USA.

Directorship in public companies and listed companies.	Any family relationship with any director and/or major Shareholder.	Other than traffic offences, the list of convictions for Offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the year.
None	None	None

CORPORATE STRUCTURE

PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD
198801004954 (172312-K)



SUSTAINABILITY STATEMENT



Sustainability Statement

Sustainability has always been an integral part of the business of Formosa Prosonic Industries Berhad and its subsidiary companies (“FPI or the Company”). Our sustainability efforts represent our commitment towards maximising opportunities and efficiency to continuously operate as a profitable entity and to create long term values to all stakeholders after taking into consideration the aspects of economic, environment and social.

Our sustainability approach focuses on key material aspects (economic, environment and social) as highlighted by our key internal and external stakeholders. These aspects are influenced by the way we manage and operate our daily operations. Respective management approach is developed and carried out to best serve our customers, safeguard the environment and encourage long-term business growth. As such, various sustainability initiatives had been identified and are being undertaken by the Group to enhance value across all the three aspects of the sustainability framework.

This Sustainability Statement needs to be read in conjunction with the rest of the sections contained in the Annual Report that cover financial and non-financial reports such as corporate governance statement and risk management and internal control statement.

Governance Structure

Our Sustainability Working Group (“SWG”) was formed in 2018 to manage and implement our sustainability efforts. The SWG, reporting to the Managing Director, is chaired by the Officer in Charge of SWG and supported by the heads of operations, business group, finance, risk and human resources. The diagram below illustrates our sustainability governance structure and its roles and responsibilities:



SUSTAINABILITY
STATEMENT

The scope of this sustainability reporting encompasses the following key operations within FPI in Malaysia that covers from 1 January 2019 to 31 December 2019:

Operating companies	Manufacturing plant location	Principal business
FPI	Port Klang, Selangor	OEM and ODM services for woodworking, plastic injection, PCB assembly and finished-products assembly
FPI	Sungai Petani, Kedah	OEM and ODM services for woodworking, plastic injection, driver units, PCB assembly and finished-products assembly
Formosa Prosonic Technics Sdn Bhd ("FPT")	Port Klang, Selangor	Manufacturing and sale of speaker driver units
FPI	Neihu District, Taipei, Taiwan	Research and development centre

Stakeholders' Expectation

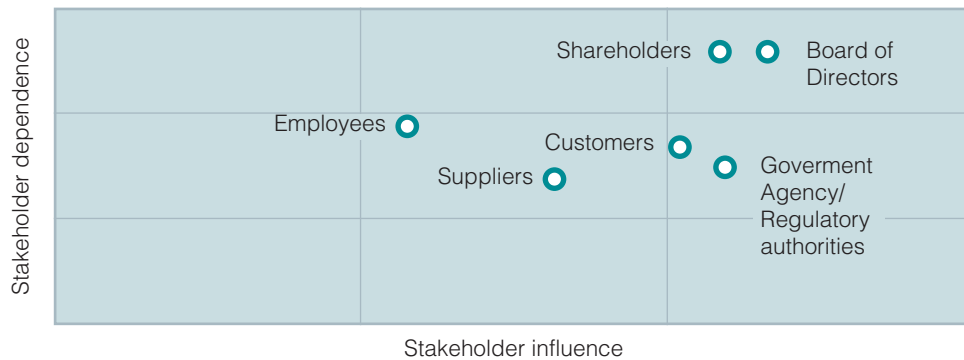
In the pursuit of sustainability, we believe managing stakeholders' expectation is important in the conduct of business. We continuously reach out to them in order to appreciate their concerns and to obtain feedback on our jobs so we could improve on. It also provides opportunities for future potential collaborations. We therefore have identified stakeholders that require most attention from FPI. We had identified and explore engagement channels and areas with these stakeholders as tabulated below.

Stakeholder	Channel for Engagement	Area of Interest	Responses
Board of Directors	<ul style="list-style-type: none"> Board Meetings Annual General Meetings Company organised events 	<ul style="list-style-type: none"> Company strategy and performance Risk Management Corporate governance 	<ul style="list-style-type: none"> Reporting and presentation Site visits
Major Shareholders	<ul style="list-style-type: none"> Board representative Annual General Meetings 	<ul style="list-style-type: none"> Financial performance Dividend Share performance 	<ul style="list-style-type: none"> Reporting and presentation
Customers	<ul style="list-style-type: none"> Face to face meetings Customer audits Feedback survey 	<ul style="list-style-type: none"> Delivery and quality Capacity and business operations Engineering capabilities Tactical and competitive sourcing 	<ul style="list-style-type: none"> Reporting and presentation Site visits
Suppliers	<ul style="list-style-type: none"> Face to face meetings Supplier audits Evaluation 	<ul style="list-style-type: none"> Terms of payment Supply contract Strategic alliance 	<ul style="list-style-type: none"> Assessment reports Site visits

SUSTAINABILITY STATEMENT

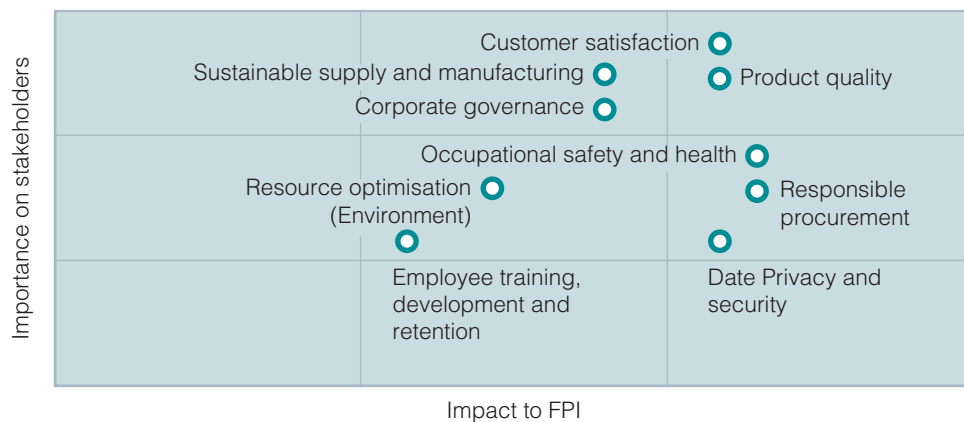
Stakeholder	Channel for Engagement	Area of Interest	Responses
Employees	<ul style="list-style-type: none"> • Induction training • Learning and development programmes • Performance appraisal • Company organised events 	<ul style="list-style-type: none"> • Career development opportunities • Remuneration package • Occupational safety and health 	<ul style="list-style-type: none"> • Human resource practises • Mark to market and competitive remuneration package
Government agencies/ regulatory authorities	<ul style="list-style-type: none"> • Ongoing interaction • Formal and informal meetings 	<ul style="list-style-type: none"> • Labour and manufacturing issues and policies • Compliance • Environment and social impact 	<ul style="list-style-type: none"> • Compliance and good practises • Constructive interactions

In order to further enhance our stakeholder engagement initiatives, an assessment had been carried out to prioritise the following stakeholders based on the level of their influence and dependence on FPI.



Material Sustainability Matters

We are taking a progressive approach in our sustainability reporting. We continue to engage our internal stakeholders to assess and identify material sustainability matters to FPI. Through communications and dialogue sessions with our internal stakeholder representatives from various divisions who are at the operation frontlines, we have identified the following sustainability matters that are closely connected to all stakeholders. The result of the materiality assessment is shown in the following diagram.



SUSTAINABILITY STATEMENT

Relying upon the stakeholders' expectation and the Company's business strategy and from a business perspective, we disclose in the following table the relevant policies, activities and some indicators on how we manage our identified material sustainability matters.

Sustainability matters	Policy	Activities	Performance Indicators
Customer satisfaction	<ul style="list-style-type: none"> To create good sound products Customers always come first 	<ul style="list-style-type: none"> Offering integrated products and services Early involvement by developing capacity to assist customers Quick, flexible and corrective action plan to every enquiry/audit finding 	<ul style="list-style-type: none"> Customer satisfaction survey Passing the audits conducted by our customers Number of complaints received Sales uptrend over the years
Product quality	<ul style="list-style-type: none"> Lasting commitment to product excellence Continuous research and development 	<ul style="list-style-type: none"> Best practices throughout design/planning, production and delivery stages Promote 5S¹ awareness Education and Training ISO 9001 : 2008 	<ul style="list-style-type: none"> Defect rate Number of complaints received
Sustainable supply and manufacturing	One-stop solution manufacturing	<ul style="list-style-type: none"> Lean manufacturing programmes to reduce wastage sources from over-processing, cycle time, waiting time and defects Implementation of 5S workplace to maximise efficiency and effectiveness Investment in new machines and automation 	<ul style="list-style-type: none"> Defect and wastage rates Production lead time
Responsible procurement	<p>To build sound relationship with suppliers principled on:</p> <ul style="list-style-type: none"> Focus on quality, delivery time and stable supply Green procurement Confidentiality Meeting legal and regulation requirements 	<ul style="list-style-type: none"> Suppliers qualification and requalification evaluation Adhere to Restriction of Hazardous Substances ("RoHS") Plant qualification audit and process control audit 	Assessment report

SUSTAINABILITY STATEMENT

Sustainability matters	Policy	Activities	Performance Indicators
Occupational safety and health (“OSH”)	OSH procedures	<ul style="list-style-type: none"> • Seek for continuous improvement in our OSH performance by considering evolving community expectations and management practices • Compliance with applicable laws and regulations • Train and hold individual employees accountable for their area of responsibility • Implement management systems to identify, assess, monitor and control hazards and review performance, to identify risks • Openly communicate with our employees, the government and the community on OSH issues • Periodically review the Group’s OSH Policy for effectiveness and suitability • CCTV (Closed Circuit Television) • Collaboration with Local Police 	<ul style="list-style-type: none"> • Occupational injury and illness tracking and reporting • Monitoring and measuring cleanliness of toilet, canteen facilities and eating environment
Corporate Governance	Fair and sound corporate management system that enables quick and accurate decision making to accommodate an ever-changing business environment, and to execute business strategy and operations	<ul style="list-style-type: none"> • BOD meetings • Management meetings • Risk Management • Regulatory compliance • Information security and personal information protection 	

SUSTAINABILITY STATEMENT

Sustainability matters	Policy	Activities	Performance Indicators
Employee training, development and retention	<ul style="list-style-type: none"> • Human capital is the key driver of our success hence we will invest continually • Uphold fundamental rights and respect culture, customs and value • Career development and welfare • Trainings on a need basis 	<ul style="list-style-type: none"> • Training programmes cover technical skills, sales communications, 5S initiatives and regulations update • Encourage direct and open engagement between workers and management on working conditions and management practices with fear of reprisal and harassment 	<ul style="list-style-type: none"> • Relevant training programmes • Fair and diversified² employment practices • Retention
Resource optimisation (Environment)	To minimise negative impact to the environment and to raise awareness of the importance of conservation of energy, prudent waste disposal and fulfilment of requirements	<ul style="list-style-type: none"> • ISO 14001 : 2004 certification and implementation • Material waste reduction/recovery systems under 5S • Recycling of plastic resin and wood parts • Metal scrap either reused internal or sold to external parties for recycling purpose • Solid waste such as oil and chemical were being disposed to licensed collector approved by the DOE • Electricity efficiency initiatives such as replacing standard bulbs with energy saving Light-Emitting Diodes (LEDs) and automatic switch off timer for air conditioner 	<ul style="list-style-type: none"> • Energy consumption and efficiency³ • Water consumption and efficiency⁴ • Waste reduce and recycle

SUSTAINABILITY STATEMENT

Sustainability matters	Policy	Activities	Performance Indicators
Data Privacy and Security	Personal Data Protection Policy	<ul style="list-style-type: none"> FPI shall not process personal data (“PD”) unless the owner of the PD provides their consent To all stakeholders, the PD collected should only be sufficient for the intended purpose. Annual license & support renewal for Antivirus software (Upgrade of firewall appliance) and Backup software (Implement secure file transfer system). Periodic hardware maintenance 	There have been no breaches or incidents report over the reporting period

¹ 5S is a workplace organisation method that consists of Seiri, Seiton, Seiso, Seiketsu and Shitsuke which is translated to Sort, Set in Order, Shine, Standardise and Sustain.

² Please refer to Appendix for Diversity disclosure (Table 1)

³ Electricity usage data for the past three years are shown in Appendix (Table 2).

⁴ Water consumption data for the past three years are shown in Appendix (Table 3)

In line with our business strategy and operational processes, we shall progressively implement initiatives in and across all spectrums of our business operations which reflect our commitment to responsible and sustainable business practices. The Board of Directors believes it is one of the key factors towards achieving corporate objectives and stakeholder value creation.

SUSTAINABILITY
STATEMENT

APPENDIX

Table 1

Diversity table	2019		2018	
	Directors	Staff	Directors	Staff
Breakdown by Gender				
Male	6	2526	5	2480
Female	0	1223	1	851
Total	6	3749	6	3331
Breakdown by Age Group				
< 30	-	2227	-	1888
30 - 50	0	1355	1	1288
> 50	6	167	5	155
Total	6	3749	6	3331
Breakdown by Ethnicity				
Malay	0	535	1	523
Chinese	3	234	2	265
Indian	-	236	-	250
Japanese	-	11	-	11
Taiwanese	3	3	3	2
China	-	0	-	1
Bangladeshi	-	1143	-	1206
Indonesian	-	405	-	237
Myanmese	-	515	-	152
Nepalese	-	635	-	642
Pakistanese	-	24	-	29
Vietnamese	-	5	-	10
Siamese	-	3	-	3
Total	6	3749	6	3331

Table 2

Electricity Usage	FY2019	FY2018	FY2017
Revenue (RM'000)	766,198	560,519	461,182
Electricity Voltage ('000 kw)	24,082	26,751	25,791
Electricity Value (RM'000)	10,383	10,923	10,104

Table 3

Water Consumption	FY2019	FY2018	FY2017
Revenue (RM'000)	766,198	560,519	461,182
Cubic Meter ('000 m3)	102	132	163
Value (RM'000)	185	229	280

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Group is committed to business integrity and best practices in all its activities. As part of this commitment, the Board is pleased to present this statement to provide investors with an overview of the extent of compliance with an application of the Principles as set out in the Malaysian Code on Corporate Governance (“MCCG”).

This statement also serves as a compliance with Paragraph 15.25 (1) of the Main Market Listing Requirements (“Main LR”) of Bursa Securities.

The Corporate Governance Report prepared in compliance with Paragraph 15.25 (2) of the Main LR and disclosed the application of each Principle set out in the MCCG is available on the Company’s website at www.fp-group.com.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Board Responsibilities

The Board is responsible for the overall corporate affairs, strategic direction, establishing corporate goals and monitoring of the achievement of these goals. The Group is headed by the Board that leads and controls and the overall performance of the Group through the discharge of the following principal duties and responsibilities:-

- (a) reviewing and adopting a strategic plan for the Group;
- (b) overseeing the conduct of the Group’s business to evaluate whether the business is being properly managed;
- (c) identifying principal risks and the implementation of appropriate systems and mitigation measures;
- (d) succession planning, including the implementation of appropriate programs for appointing, training and where appropriate, replacing senior management; and
- (e) reviewing the adequacy and the integrity of the Group’s internal control systems and management information systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

To ensure effective discharge of its responsibilities, the Board delegates specific authorities to other Board Committees as prescribed under the MCCG:

- (a) Audit Committee;
- (b) Nomination Committee;
- (c) Remuneration Committee; and
- (d) Risk Management Committee.

The Managing Director takes on primarily responsibilities in managing day-to-day operations whilst the Independent Directors are involved in the various committees and contribute to areas such as performance monitoring and providing independent views for enhancement of corporate governance and controls. The management is accountable for execution of the Group’s corporate objectives.

The Company Secretary plays a vital advisory role to the Board and Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company and the Group. Directors have access to all information within the Company and to the advice and services of the Company Secretary who is responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT**1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (continued)****1.2 Board Charter**

The Group has adopted a Board Charter which governs how the Group conducts its affairs. The Board Charter is applicable to all Directors of the Company which sets out the authority, responsibilities, membership and operation of the Board of the Company. The Board Charter entails, inter alia, the following main items:-

- Objectives of the Board;
- Roles of the Board;
- Board structure; and
- Board processes.

The Board Charter is to be periodically reviewed by the Board as and when required. A full copy of the Board Charter is available for viewing under the “Investor Relation” section of the Group’s corporate website at www.fp-group.com.

1.3 Code of Ethics and Conduct

One of the key roles of the Board is to establish a corporate culture which yields ethical conduct that runs throughout the Group. Consequently, the Board has formalised the policy to ensure the implementation of appropriate internal systems by the management to support, promote and ensure its compliance.

The Code of Ethics and Conduct which set out the ethical standards and appropriate conduct at work adopted by the Group are applicable to all employees and Directors of the Group. The Code of Ethics and Conduct cover the area of conflict of interest, confidential information, insider information and securities trading, protection of Group’s assets and etc.

A full copy of the Code is available for viewing under the “Investor Relation” section of the Group’s corporate website at www.fp-group.com.

1.4 Sustainability Policy

The Board recognises that sustainability encompasses all aspects of ethical business practices and has formulated the Sustainability Policy to address relevant market place, community, work place and environment issues responsibly and profitably. This policy aims mainly to integrate the principles of sustainability into the Group’s strategies, policies and procedures.

A summary of the practices is set out in the Sustainability Statement on pages 24 to 31 of this Annual Report. A full copy of this policy is available for viewing under the “Investor Relation” section of the Group’s corporate website at www.fp-group.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (continued)

1.5 Whistleblowing Policy

The Company has established a Whistleblowing Policy to provide an avenue and an independent feedback channel through which employees, customers, suppliers, contractors or other third parties providing services to the Group may, in good faith and have reasonable ground, report any wrongdoings in accordance with the procedures in the policy without fear of reprisal. Under the policy, a whistleblower will be accorded with protection of confidentiality of identity.

Reporting channels that are available including a dedicated email: whistleblow@fp-group.com. Letter/document/report may also be sent and addressed to the Chief Audit Executive at Formosa Prosonic Industries Berhad, No.2, Jalan 1, Bandar Sultan Suleiman, Taiwanese Industrial Park, 42000 Port Klang, Selangor.

2. STRENGTHEN COMPOSITION

2.1 Board Committees

The Board has put in place the following Board Committees to assist in carrying out its fiduciary duties:-

- Audit Committee;
- Nomination Committee;
- Remuneration Committee; and
- Risk Management Committee.

All of these Committees have written terms of reference clearly outlining their objectives, duties and powers. The final decisions on all matters are determined by the Board as a whole.

2.2 Audit Committee

The membership and terms of reference of the Audit Committee are stated in the Audit Committee Report of this Annual Report. A summary of the activities of the Audit Committee during the financial year, including an evaluation of the independent audit process, is set out in the Audit Committee Report on pages 50 to 52 of this Annual Report.

2.3 Nomination Committee

The members of the Nomination Committee are as follows:-

Leow Ing Seng	Chairman, Senior Independent Non-Executive Director
Lim Chung Yin	Independent Non-Executive Director
Chen Ching Sen	Independent Non-Executive Director

CORPORATE GOVERNANCE
OVERVIEW STATEMENT**2. STRENGTHEN COMPOSITION (continued)****2.3 Nomination Committee (continued)**

The duties and functions of the Nomination Committee encompass the following:-

- recommend to the Board, candidates nominated by shareholders or the Board for directorships to be filled;
- recommend to the Board, directors to fill seats on board committees;
- review annually the required skills and experience and other qualities and core competencies non-executive directors should bring to the Board; and
- assess annually the effectiveness of the Board as a whole and the contribution of each Individual Director prior to recommending a Director for re-election or re-appointment to another term.

The decision on new appointment of directors rests with the Board after considering the recommendation of the Nomination Committee. In evaluating the suitability of candidates to the Board the Nomination Committee will consider certain criteria such as independence (in the case of appointment of an Independent Director), skills, knowledge, expertise, experience, integrity, commitment, background, boardroom diversity and the ability of the candidate to discharge his/her duties as expected.

During the financial year under review, the Committee held one (1) meeting to resolve the following agenda:-

- (a) reviewed the Directors who were due for retirement by rotation and re-appointment;
- (b) reviewed Board's representation and required mix of skills and experience and assessed the effectiveness of the Board as a whole;
- (c) reviewed the current size and composition of the Board;
- (d) assessment and evaluation of effectiveness of the Board, Board Committees and Individual Director where the main criteria adopted are directors' experience and skills in areas of management, operations, marketing, training & human resource, financial and statutory & regulatory compliance; and
- (e) deliberated on the findings of the assessments and reported the findings to the Board.

The MCCG recommends that the Chair of the Nomination Committee should be the Senior Independent Director identified by the Board. Mr. Leow Ing Seng, who is the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee, is the Senior Independent Non-Executive Director of the Company. Any concerns with regards to the Group may be conveyed to him.

A full copy of the term of reference of the Nomination Committee is available for viewing under the "Investor Relation" section of the Group's corporate website at www.fp-group.com.

2.4 Re-election of Directors

In accordance with the Company's Constitution, one-third of the Directors are required to submit themselves for retirement by rotation at each Annual General Meeting ("AGM"), provided that they shall retire from office at least once in every three (3) years. Retiring Directors can offer themselves for re-election.

Directors who are appointed during the financial year are, in accordance with the Company's Constitution, required to retire at the AGM following their appointment but are eligible for re-election by the shareholders.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT**2. STRENGTHEN COMPOSITION (continued)****2.5 Board Diversity Policy**

The Board affirms its commitment to boardroom diversity that can enhance the Board's effectiveness and efficiency and acknowledges the recommendation of the Code on gender diversity. It was advocated that the Board should ensure participation of women in the Board. However, the Board has yet to adopt any policy with regards to appointment of female directors to the Board but is committed to provide fair and equal opportunity and nurturing diversity within the Group.

2.6 Remuneration Committee

The Board has set up a Remuneration Committee whose primary responsibility include reviewing and making recommendations on remuneration packages and framework applicable to the Managing Director, Senior Executives and Directors themselves.

The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages. Individual Directors are required to abstain from discussion on their own remuneration. The determination of the remuneration of Non-Executive Directors is a matter for the Board as a whole.

The members of the Remuneration Committee are as follows:-

Chen Ching Sen (Chairman), Independent Non-Executive Director
Lim Chung Yin, Independent Non-Executive Director
Leow Ing Seng, Senior Independent Non-Executive Director

The term of reference of the Remuneration Committee is available for viewing at www.fp-group.com. For the financial year 2019, the remuneration of the Directors of the Company are as follows:-

	Fees RM	Total Emoluments RM	Benefits In-Kind RM	Remuneration RM
Executive Director	56,000	1,068,993	28,000	1,152,993
Non-Executive Directors	192,000	118,500	-	310,500
Total	248,000	1,187,493	28,000	1,463,493

CORPORATE GOVERNANCE
OVERVIEW STATEMENT**2. STRENGTHEN COMPOSITION (continued)****2.6 Remuneration Committee (continued)**

The number of Directors whose total remuneration falls within the following bands is as follows:-

	Non Executive Directors	Executive Directors
RM50,000 - RM100,000	Lim Chung Yin Leow Ing Seng Chen Ching Sen Shen Ching Yao Hartini Binti Zainal Abidin	- - - - -
RM150,000 - RM1,200,000	-	Shih Chao Yuan Koh Meng Ching

3. REINFORCE INDEPENDENCE**3.1 Board Composition and Balance**

The Company is led by an experienced Board comprising six (6) members of whom three (3) are Independent Non-Executive Directors, one (1) is a Non-Independent Non-Executive Director and two (2) are Executive Directors. No individual or group of individuals dominates the Board's decision making. Independent Directors constitute more than one-third of the Board and interest of the significant shareholder is fairly represented on the Board. The present Directors bring a wide range of experiences and skills relevant to the business of the Group. Brief descriptions on the background of each Director are set out on pages 18 to 21.

One of the recommendations of the MCCG states that the tenure of an independent director should not exceed a cumulative term of nine (9) years. However, the Nomination Committee and the Board have determined at their annual assessment determined that all the independent directors are objective and independent in expressing their views and in participating in deliberations and decision making of the Board and Board Committees. The length of their service on the Board does not in any way interfere with the exercise of independent judgement and their ability to act in the best interests of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

3. REINFORCE INDEPENDENCE (continued)

3.1 Board Composition and Balance (continued)

The Board will table a proposal to retain Mr. Leow Ing Seng and Mr. Lim Chung Yin as independent directors for shareholders' approval at the upcoming Annual General Meeting of the Company based on the following justification:-

- (a) the Board strongly believes that a Director's independence cannot be determined through the length of service only;
- (b) the Board is of the view that there are significant advantages to be gained from the long serving Independent Directors as they are able to perform their duty diligently; and
- (c) the Board is of the view that they are objective in their views and participation in deliberations and decision making of the Board and Board Committees.

The Managing Director is under the control of the Board. The Independent Non-Executive Directors provide independent judgement and check and balance on the Board. The meetings of the Board are chaired by the Board Members by rotation. The current size and composition of the Board are considered adequate to provide the optimum skills and experience. Furthermore the Board is of the view that the current Board size is balanced in skills and composition.

3.2 Annual Assessment of Independence of Directors

In addition to the annual review by the Nomination Committee of the Directors' Independence, all Independent Non-Executive Directors are required to submit an annual declaration regarding his independence according to the criteria on independence set out in the Listing Requirements and Practice Notes of Bursa Securities on independence.

4. FOSTER COMMITMENT

The Board requires its members to devote sufficient time to the workings of the Board, to effectively discharge their duties as Directors of the Company, and to use their best endeavours to attend meetings.

4.1 Board Meeting and Attendance

The Board meets at least four (4) times a year and has a formal schedule of matters reserved for it. Additional meetings are held as and when necessary. During the financial year ended 31 December 2019, five (5) meetings were held in which the Board deliberated upon and considered various issues including the Groups' financial results, annual budgets, performance of the Group's business, major investment, business plan and policies, and strategic issues affecting the Group's business.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT**4. FOSTER COMMITMENT (continued)****4.1 Board Meeting and Attendance (continued)**

Details of attendance of the Directors at Board meetings held during the financial year are as follows:-

	Total Number of Meetings	Number of Meetings Attended
Shih Chao Yuan	5	5
Chen Ching Sen	5	5
Leow Ing Seng	5	5
Lim Chung Yin	5	5
Shen Ching Yao	5	4
Koh Meng Ching (Appointed on 22 August 2019)	2	2
Hartini Binti Zainal Abidin (Resigned on 8 November 2019)	5	4

4.2 Access to Information

The Board has unrestricted access to timely and accurate information necessary in the furtherance of their duties. Formal agenda, papers and reports are provided to each Director ahead of the meetings to enable the Board to familiarise themselves with the matters prior to their respective meetings. At each Board meeting, the Managing Director briefs the Board on the Group's activities and operations.

Directors have access to the advice and services of the Company Secretary and where necessary, obtain independent professional advice at the Group's expense.

4.3 Directors' Training

The Directors are mindful that they should continually attend seminar and courses to keep themselves abreast with the latest economic and corporate developments as well as new regulations and statutory requirements.

The Directors have been briefed and updated on listing requirements and corporate governance practices and new applicable accounting standards together with the senior management and the relevant staff. The Directors have attained trainings on areas relevant to their duties and responsibilities as Directors by attending internally facilitated sessions on new innovative production lines for smart audio and musical instrument products.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

The Board should ensure financial statements are a reliable source of information.

5.1 Financial Reporting

The Board aims to provide and present a balanced and clear assessment of the Groups' financial performance and prospects primarily through the annual financial statements and quarterly report as well as announcements to the Bursa Malaysia.

The Audit Committee assists the Board to oversee the financial reporting process and the quality of its financial reporting by reviewing the information to be disclosed, to ensure completeness, accuracy and adequacy prior to endorsing the same to the Board for release to Bursa Securities and Securities Commission Malaysia.

5.2 Statement of Directors' Responsibility in respect of Audited Financial Statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of their financial performance and cashflows for the period. These involve Directors selecting appropriate accounting policies and then applying them consistently, make judgements and estimates that are reasonable and prudent and preparing the financial statements on a going concern basis.

The Directors have the responsibility of ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Group and of the Company and which ensures that the financial statements comply with the Companies Act 2016.

The Directors have taken steps as necessary to safeguard the assets of the Group and the Company to prevent fraud and other irregularities.

5.3 Assessment of Suitability and Independence of External Auditors

For FY2019, the Audit Committee has formalised the procedures to assess the suitability and independence of External Auditors vide an annual assessment of the suitability and independence of the External Auditors. The Audit Committee noted for FY2019, BDO PLT, the External Auditors of the Company confirmed that the engagement quality control reviewer and members of the engagement team in the course of their audits were and had been independent for the purpose of the audit in accordance with the terms of relevant professional and regulatory requirements.

The Audit Committee also noted that having served the requisite years, the engagement partner of BDO PLT was rotated. The Audit Committee was satisfied with BDO PLT's technical competency and audit independence during the financial year under review and recommended to the Board the re-appointment of BDO PLT as the External Auditors for the financial year ending 31 December 2020. The Board has in turn, has recommended the same for shareholders' approval at the forthcoming AGM of the Company.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT**5. UPHOLD INTEGRITY IN FINANCIAL REPORTING (continued)****5.3 Assessment of Suitability and Independence of External Auditors (continued)**

The external auditors, BDO PLT have continued to report to members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so the Company has established a transparent arrangement with the auditors to meet their professional requirements. The auditors have, from time to time, highlighted to the Audit Committee and the Board matters requiring the Board's attention.

The amount of fees paid to the external auditors for the statutory audit and non-audit assignments for 2019 were RM143,081 and RM28,950 respectively.

6. RECOGNISE AND MANAGE RISK**6.1 Sound Framework to Manage Risks**

The Directors are responsible for the Group's system of internal controls and its effectiveness. The principal aim of the system of internal controls is the management of financial and business risks that are significant to the fulfilment of the Group's business objectives, which is to enhance the value of shareholders' investment and safeguarding the Group's assets.

Risk Management Committee ("RMC") was established to develop a risk management framework. The methodology used to establish the framework is referred to as Control Self-Assessment ("CSA") which involves operating units and departments identifying, evaluating, monitoring and reporting of risks and internal controls. The risk profile covering risk assessment, classification and risk ranking followed by action plans taken to mitigate the risks identified are to be presented to the Audit Committee. The RMC together with the operating units will ensure timely resolution of outstanding issues and implementation of action plans that are to be carried out and completed within the reasonable time frame to mitigate the risks level.

The Audit Committee summarises and communicates the key business risks to the Board for consideration and resolution.

6.2 Internal Audit Function

Internal audit activities are conducted in-house. The internal audit conducted its work based on an annual internal audit plan which was tabled before and approved by the Audit Committee. The internal audit functions are carried out impartially, proficiently and with due professional care. Reports issued by the internal audit for the financial year under review were tabled at Audit Committee meetings. Management was present at such meetings to provide pertinent clarification or additional information to address questions raised by Audit Committee members.

The Statement on Risk Management and Internal Control of the Group are set out on pages 44 to 49 of the Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

The Board recognises the value of transparent, consistent and coherent communications with investment community consistent with commercial confidentiality and regulatory considerations through timely dissemination of information on the Group's performance and major developments which are communicated via:-

- (a) the Annual Reports;
- (b) the convening of AGM and/or Extraordinary General Meeting; and
- (c) the release of various disclosures and announcements including quarterly results.

The Company follows its policy, making announcements to the Bursa Malaysia when it becomes aware of information which might materially affect the price of its shares.

The Group's website at www.fp-group.com provides information to the public, which includes inter alia, corporate information, business activities, corporate governance matters, annual reports and financial results.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Stakeholders who wish to reach the Group may do so through the "Contact Us" page for enquiries and feedback purposes at www.fp-group.com.

The AGM is held once a year is the principal forum for a dialogue with individual shareholders. At the AGM, shareholders have direct access to the Board and are invited to pose questions during the meeting. Shareholders are also encouraged to pose questions about the resolutions being proposed and about the Group's operations in general. The Managing Director normally addresses the shareholders on the review of the Group's operations and outlines the prospects.

The external auditors of the Company are invited to attend the AGM to respond to any questions relating to the conduct of the audit and contents of the Auditors' Report.

Utilisation of Proceeds

There were no issuance of new shares, rights issue or issuance of bonds during the financial year to raise any cash proceeds.

Non-Audit Fees

Non-audit fees of RM28,950 were paid to the external auditors for the financial year.

Profit Estimates, Forecast or Projections

The Company did not make any release on profit estimates, forecast or projections during the financial year.

Material Contracts and Contracts Relating to Loan

None of the Directors, Chief Executive and/or major Shareholders had any material contract with the Company and/or its subsidiaries either still subsisting at the end of the financial year ended 31 December 2019 or entered into since the end of the previous financial year.

Recurrent Related Party Transactions of a Revenue or Trading Nature

Details of transactions with related parties undertaken by the Group during the financial year under review are disclosed in Note 26 to the financial statements.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors of Formosa Prosonic Industries Berhad is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 December 2019, which has been prepared pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. This statement outlines the nature and state of internal control of the Group during the financial year.

BOARD'S RESPONSIBILITY

The Board of Directors acknowledges its overall responsibility for maintaining a sound internal control system for the Group to safeguard the shareholder's investment and the Group's assets, and to discharge their stewardship responsibilities in identifying risks and ensuring the implementation of appropriate system to manage these risks in accordance with the best practices of the Malaysian Code on Corporate Governance.

The Board further recognizes its responsibility for reviewing the adequacy and integrity of the Group's internal control system and management information systems.

In view of the limitations that inherent in any systems of internal control, the Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objective and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process in place to identify, evaluate and manage the significant risks that may affect the achievement of our business objectives. The process which has been instituted throughout the Group is updated and reviewed from time to time to be relevant to the changes in the business environment, and this on-going process has been in place for the whole financial year under review and up to the date of adoption of this Annual report.

RISK POLICY

Risk is a factor of every-day life and can never be eliminated completely. All employees must understand the nature of risk and accept responsibility for risks associated with their area of authority. The necessary support, assistance and commitment of senior management will be provided.

The policy forms part of the Group's internal control and governance arrangements. Our risk management objectives are to:-

1. Integrate risk management into the culture of the organization.
2. Manage risk in accordance with best practice and provide reasonable assurance regarding the achievement of the Group objective and maximize stakeholder's value.
3. Consider legal compliance as an absolute minimum.
4. Anticipate and respond quickly to social, environmental and legislative change.
5. Prevent injury and damage and reduce the cost of risk.
6. Raise awareness of the need for risk management.

STATEMENT ON RISK MANAGEMENT
AND INTERNAL CONTROL**RISK POLICY (continued)**

These objectives will be achieved by:-

1. Establishing risk management framework to manage the risks associated with the Group's business activities.
2. Establishing a risk management organizational structure to act in an advisory and guiding capacity and which is accessible to all relevant parties.
3. Adopt processes, which demonstrate that risk management principles are being applied across the whole organization.
4. Provide training in risk awareness.
5. Maintain documented procedures for the control of risk and provision of suitable information, training and supervision.
6. Maintain an appropriate system for recording incidents and carrying out post event checks to ascertain causes and identify preventive measures against re-occurrence.
7. Devise and maintain contingency plans in key risk areas to secure business continuity where there is a potential for an event having a major impact upon the management ability to function.
8. Maintain effective communication and involvement of all staff and stakeholders.
9. Monitor arrangements on an ongoing basis.

FPIB Group adopts Risk Management Framework which essentially links the Group's objectives and goals to principle risks. The principle risks are transforming into controls and opportunities that are translated to actions and programs.

RISK MANAGEMENT FRAMEWORK

Its key elements:-

Risk Governance

- **The Board of Directors (BOD)**
BOD is responsible for compliance with the Listing Requirements of Bursa Malaysia Securities Berhad by ensuring that a sound system of internal controls is maintained to safeguard shareholders' investment and the Group's assets. The BOD through an independent Board Audit Committee would ensure adherence to the Listing Requirements.
- **Board Audit Committee (BAC)**
The BAC is to ensure that through the risk assessment the significant risks are being identified and appropriate systems are implemented to manage the risks and the adequacy and the integrity of the internal controls are reviewed.
- **Risk Management Committee (RMC)**
The RMC is led by the Managing Director who is responsible for control and oversight over the implementation of the risk management process for the Group. The responsibility of implementing the risk management process lies with designated senior officers at the group level and the subsidiary level.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT FRAMEWORK (continued)

- **Head of Internal Audit (HIA)**

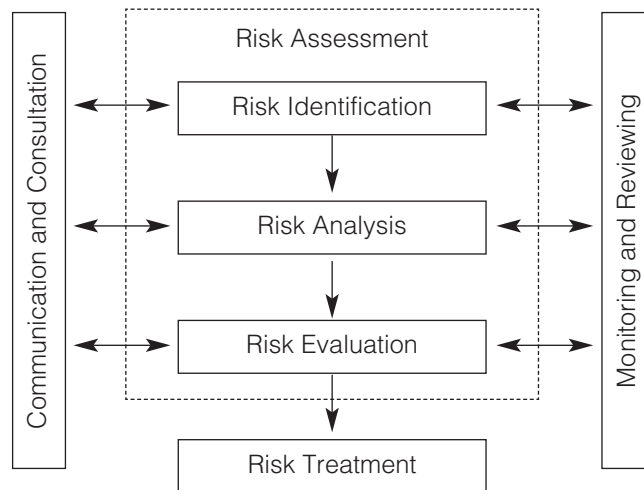
HIA will be responsible for developing the framework and laying the groundwork for the successful implementation of the groupwide risk management process. He or she will also coordinate with the designated officers or their representatives to ensure a smooth implementation of the risk assessment exercise and act as facilitator by conducting training and workshops for the operational/functional departments for the business units within the group.

Risk Assessment Process

The approach used to establish a framework for the groupwide risk management uses the technique/methodology referred to as the Control Self-Assessment (CSA), which refers to the process whereby departments/business areas identify and evaluate controls within key functions/activities of their business processes. To assist the business/operating units to approach the exercise in a systematic manner, workshops were conducted for the representatives of the business/operating units to familiarize themselves with the concepts and the framework.

The CSA adopts both bottoms up & top down approach for operation and strategic risks respectively.

The Risk Assessment Process is as follows:-



The process is an ongoing process for evaluating and managing the significant risks faced by the Group. This process includes updating the system of internal controls when there are changes to the business environment or regulatory guidelines.

Risk Guidelines

Risks have been defined, described and rated in the framework into 3 categories i.e. High, Medium & Low (H, M & L). The guidelines were duly approved and endorsed by the BAC and BOD.

Reporting

Respective Heads of Divisions/Operating units/Business units had issued a Letter of Assurance addressed to BAC & BOD regarding the CSA carried out by the division/operating/business units respectively. The RMC submitted the risk management report to BAC & BOD on an annual basis in the month of February of each year.

STATEMENT ON RISK MANAGEMENT
AND INTERNAL CONTROL**RISK MANAGEMENT FRAMEWORK (continued)****Monitoring and Review**

Risk management is a dynamic process, an update of the risk profiles are necessary and is an on-going process.

Responsibility for monitoring compliance with policies, procedures, guidelines and legislation rests principally with the IAU, which directly reported to the BAC.

Heads of Divisions/Operating units/Business units are actively involved in continually improving the control processes within their respective division/units/department.

The re-assessments are performed annually to ensure proper management of business and operational risks and effectiveness of the control environment.

During the year, three risk areas namely Strategy Risk, Operational Risk and Market Risk were monitored and reviewed by performing the following activities:-

- Each Head of Division/Operating units/Business units was given the **Control Self-Assessment (CSA) Checklist** to assess the effectiveness of the respective division's/operating unit's/business unit's internal controls system. The areas are risk assessment, the control environment, information and communication and general controls.
- **Structured Performance Management Review System (KPI)** chaired by respective Head of Division was carried out every quarterly. The risk factors affecting the Group short & long term objectives are addressed and translated into key performance indicator. The Head of Division of each business group/unit/department will report to the Group MD according to the identified KPI and their performance will be evaluated accordingly.
- **Weekly operational meetings** were held within various Head of division from the business group/unit/department. Various operation risk issues are addressed and reviewed during the meeting. Appropriate risk mitigation action are applied & executed through respective business group/unit/department.
- **Internal Audit programs** were carried out every quarterly except for 1st quarter of the year to monitor and assess the effectiveness of internal control process of each business group/unit/department. The areas of the audit activities are reported in the Audit Committee Report under the subheading of Internal Audit Function on page 52.
- **Annual Budget** were prepared by individual Management Team in the strategic and budgeting planning meeting annually, to establish plans and targets against which performance is monitored. These business plans and budgets are subjected to evaluation and assessment by the Senior Management Group and the Audit Committee before it is recommended to the Board for approval. Monthly review is carried out by the Management to ensure that the businesses are operating according to the plans, as well as to monitor adherence to the internal control procedures established.
- **Quarterly financial reports** are tabled to the Audit Committee for review before it is presented to the Board for approval.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL CONTROL FUNCTION

Key Processes

Salient features of the key processes of the system of internal control of the Group are as follows:-

1. The management structure is well defined, with clear lines of authority and responsibility.
2. The Board continually assesses business performance and evaluates operation controls at all levels, and where necessary takes appropriate remedial action.
3. The Managing Director regularly updates the Board on industry trend, key customers and performance of various units within the Group, and the Board endorses responses taken.
4. Financial results are reviewed quarterly by the Audit Committee and the Board and compared to budgets and forecasts.
5. Executive Directors and Heads of Department meet regularly to discuss operational, management issues, financial performance and indicators focusing on the evaluation of applicable risks.
6. Operations “ISO Standards 9001:2015 and 14001:2015” and Accounting procedures are communicated to staff at all levels.
7. The Group’s Internal Audit Unit (IAU) which reports to the Audit Committee performs regular reviews to assess the effectiveness of internal controls and to identify significant risks.
8. The Audit Committee reviews actions taken on internal control issues raised by the IAU and external auditors.
9. Formal recruitment, training and development, and performance appraisals are in place to ensure and maintain the professionalism and competency of staff.
10. The Group had established a set of corporate values, ethical behavior, and a guidance for quality products and services and these are set out in the Group’s Employee Handbook and Safety Handbook.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Bursa Securities Listing Requirements, the external auditors have reviewed this Statement on Risk Management & Internal Control for inclusion in the annual report of the Group for the financial year ended 31 December 2019. As set out in their terms of engagement, the procedures were performed in accordance with the Audit and Assurance Practice Guide 3 (“AAPG 3”), Guidance for Auditors on Engagements to Report on Statement on Risk Management and Internal Control issued by the Malaysian Institute of Accountants. Based on their procedures performed, the external auditors has reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is it factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors’ Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group’s risk management and internal control system including the assessment and opinion by the Board and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

CONCLUSION

The Board is of the view that Group’s system of internal control is generally satisfactory.

The Board has received assurance from Managing Director that the Company’s risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group.

The Board and Management will continue to take necessary measure to strengthen the control environment and monitor the effectiveness of the internal control framework of the Group.

This statement was approved by the Board of Directors on 27 May 2020.

AUDIT COMMITTEE REPORT

THE BOARD OF DIRECTORS (“the Board”) of Formosa Prosonic Industries Berhad (“the Company”) is pleased to present the report of the Audit Committee for the financial year ended 31 December 2019.

COMPOSITION

Chairman

Lim Chung Yin
Independent Non-Executive Director

Members

Leow Ing Seng
Senior Independent Non-Executive Director

Chen Ching Sen
Independent Non-Executive Director

All Members of the Committee are familiar with basic finance and accounting practices and one of its members i.e. Lim Chung Yin is a Fellow Member of the Association of Chartered and Certified Accountants (United Kingdom).

TERMS OF REFERENCE

Constitution

The Audit Committee was constituted per resolution of the Board on 26 April 1994 and its terms of reference are consistent with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (the “Exchange”).

Authority

- The Audit Committee is authorised by the Board to investigate any activity within its terms of reference.
- It has unlimited access to all information relevant to its activities.
- It is authorised by the Board to obtain legal or other professional advice if it deems necessary.

AUDIT
COMMITTEE REPORT**Composition**

- The Audit Committee shall comprise at least 3 directors all of which must be non-executive directors with a majority of them being independent directors.
- Alternate director shall not be appointed as members of the Audit Committee.
- At least one member of the Audit Committee shall be a member of the Malaysian Institute of Accountants or a person who fulfills the specific requirements as prescribed or approved by the Exchange.
- In the event of any vacancy in the Audit Committee resulting in the non-compliance of the Exchange's Listing Requirements, the vacancy shall be filled within 3 months.
- The members of the Audit Committee shall elect a chairman from among their number who shall be an independent director.
- Any former key audit partner shall observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee of the Company.

Functions

The Audit Committee shall, amongst others, discharge the following functions:-

- Review the following and report the same to the Board of Directors;
 - with the external auditors, the audit plan;
 - with the external auditors, his evaluation of the system of internal controls;
 - the assistance given by employees to the external auditors;
 - the adequacy of the scope, functions, competency and resources of the internal audit functions and the necessary authority of the internal auditor has to carry out the work;
 - the internal audit program, processes, the results of the internal audit program, processes or investigations undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - the quarterly results and year-end financial statements, prior to the approval by the Board focusing particularly on:-
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events;
 - (iii) the going-concern assumptions; and
 - (iv) compliance with accounting standards and other legal requirement.
 - any related party transactions and the conflict of interest situation including any transaction, procedure or course of conduct that raises questions of management integrity;
 - any letter of resignation from the external auditors; and
 - whether there is any reason and supported by grounds, to believe that the external auditors is not suitable for re- appointment.
- Recommend the nomination of a person or persons as external auditors;
- Report promptly to the Exchange on any matter the Audit Committee had reported to the Board of Directors, which was not satisfactorily resolved and/or resulted in a breach of the Exchange's Listing Requirements; and
- Consider and report on matter requested by the Board of Directors.

AUDIT COMMITTEE REPORT

MEETINGS

The Audit Committee met five (5) times during the financial year ended 31 December 2019. Details of attendance are as follows:-

Leow Ing Seng 5/5, Lim Chung Yin 5/5 and Chen Ching Sen 5/5.

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2019, the Audit Committee carried out the following activities:-

- Reviewed the quarterly reports and year end financial statements of the Group and the Company;
- Reviewed the audit plan, external auditors' report on the financial statements and the evaluation of the system of internal control;
- Reviewed the scope of internal audit function to ensure that a risk-based approach was adopted;
- Considered internal audit programs, reports and management responses on audit issues;
- Considered the checklist of risks identified and appraised the adequacy of managing these risks;
- Reviewed related party transactions and reported the same to the Board;
- Considered and recommended the external auditors for re-appointment; and
- To consider other topics deemed fit by the committee within its terms of reference and/or as defined by the Board.

INTERNAL AUDIT FUNCTION

The Audit Committee is supported by the Internal Audit Unit (IAU) which is independent of the activities audited. The internal audit function is carried out with impartiality, proficiently and due professional care. IAU reports to the Audit Committee on its regular audits and appraisals of key operations of the Group.

Its activities during the financial year 2019 include:-

- appraised the adequacy and integrity of internal controls and management information systems;
- ascertained the effectiveness of management in identifying and managing major risks;
- ascertained the level of compliance with the Group's plan, policies and procedures and with legal and regulatory requirements;
- appraised administrative controls and the integrity of data produced within the Group;
- ascertained the adequacy of controls for safeguarding the Group's assets from losses; and
- conducted reviews requested by the Audit Committee.

The cost of internal audit was RM60,000 during the financial year.

This Report is made in accordance with a resolution of the Board dated 27 May 2020.

54	Directors' Report
59	Statement by Directors
59	Statutory Declaration
60	Independent Auditors' Report
64	Statements of Financial Position

FINANCIAL **STATEMENTS**

66	Statements of Profit or Loss and Other Comprehensive Income
68	Consolidated Statement of Changes in Equity
70	Statement of Changes in Equity
71	Statements of Cash Flows
74	Notes to the Financial Statements

**DIRECTORS'
REPORT**

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the assembly of high quality speaker systems. The principal activities and details of the subsidiaries are set out in Note 9 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	41,786,434	40,251,760
Attributable to:		
Owners of the parent	41,750,385	40,251,760
Non-controlling interests	36,049	-
	41,786,434	40,251,760

DIVIDENDS

Dividends paid, declared or proposed since the end of the previous financial year were as follows:

	Company RM
In respect of financial year ended 31 December 2018:	
First interim single tier dividend of 10.0 sen per ordinary share, paid on 18 April 2019	24,735,827

On 20 February 2020, the Directors declared a first interim single tier dividend of 11.0 sen per ordinary share amounting to RM27,209,409 in respect of the financial year ended 31 December 2019 and was paid to the shareholders on 17 April 2020, whose names appeared on the Record of Depositors of the Company at the close of business on 3 April 2020.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2019.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

Formosa Prosonic Industries Berhad

Chen Ching Sen
Leow Ing Seng
Lim Chung Yin
Shen Ching Yao
Shih Chao Yuan
Koh Meng Ching
Hartini Binti Zainal Abidin

(Appointed on 22 August 2019)
(Resigned on 8 November 2019)

Subsidiaries of Formosa Prosonic Industries Berhad

Pursuant to Section 253 of the Companies Act 2016, the list of Directors of the subsidiaries during the financial year and up to the date of this report, not including those Directors listed above are as follows:

Cheong Hong Yip
Lim Chun Hooi
Gan Ah Chu

DIRECTORS'
REPORT

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2019 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

Shares in the Company	← Number of ordinary shares →			Balance as at 31.12.2019
	Balance as at 1.1.2019/ date of appointment	Bought	Sold	
<u>Direct interests:</u>				
Shih Chao Yuan	6,000,000	-	-	6,000,000
Chen Ching Sen	1,500,000	-	-	1,500,000
Leow Ing Seng	200,000	-	-	200,000
Lim Chung Yin	200,000	-	-	200,000
Koh Meng Ching	90,000	30,000	-	120,000
<u>Deemed interest:</u>				
Shih Chao Yuan #	2,016,000	-	-	2,016,000

Held through spouse

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest.

There were no arrangements made during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 21 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Group and the Company effected Directors' and officers' liability insurance during the financial year to protect the Directors' and officers' of the Group and of the Company against potential costs and liabilities arising from claims brought against them. During the financial year, the total amount of insurance premium paid amounting to RM11,000.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY**(I) AS AT THE END OF THE FINANCIAL YEAR**

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that no known bad debts to be written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
 - (i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued)

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT (continued)

- (d) In the opinion of the Directors:
- (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant event subsequent to the end of the reporting period is disclosed in Note 29 to the financial statements.

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2019 are disclosed in Note 20 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Shih Chao Yuan
Director

Chen Ching Sen
Director

Port Klang
27 May 2020

**STATEMENT BY
DIRECTORS**

In the opinion of the Directors, the financial statements set out on pages 64 to 124 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Shih Chao Yuan

Director

Port Klang
27 May 2020

Chen Ching Sen

Director

**STATUTORY
DECLARATION**

I, Chong Lien Kieung (CA 168885), being the officer primarily responsible for the financial management of Formosa Prosonic Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 64 to 124 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared by the abovenamed at)
Kuala Lumpur this)
27 May 2020)

Chong Lien Kieung

Before me:

Baloo A/L T. Pichai
No. W663
Pesuruhjaya Sumpah Malaysia
No. 102 & 104
Tingkat 1
Bangunan Persatuan Yap Selangor
Jalan Tun HS Lee
50000 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FORMOSA PROSONIC INDUSTRIES BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Formosa Prosonic Industries Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 64 to 124.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MRFSS"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories at lower of cost and net realisable value

Inventories of the Group and of the Company as at 31 December 2019 amounted to RM47,461,711 and RM42,843,553 respectively of which RM5,297,844 and RM5,137,456 are stated at net realisable value as disclosed in Note 10 to the financial statements.

We determined this to be a key audit matter due to judgements made by management in their assessment of the current market prices and future demand to evaluate the adequacy of write down of the inventories to their net realisable values.

INDEPENDENT
AUDITORS' REPORT

TO THE MEMBERS OF FORMOSA PROSONIC INDUSTRIES BERHAD (CONTINUED)

Audit response

Our audit procedures included the following:

- (i) Ascertained inventories were stated at the lower of cost and net realisable value by reference to recent sales and post year-end sales; and
- (ii) Inquired and reviewed the action plans of management to clear slow moving inventories.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs, and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FORMOSA PROSONIC INDUSTRIES BERHAD (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group and of the Company.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT
AUDITORS' REPORT

TO THE MEMBERS OF FORMOSA PROSONIC INDUSTRIES BERHAD (CONTINUED)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 9 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Tan Yeong Tat
03315/07/2021 J
Chartered Accountant

Kuala Lumpur
27 May 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	88,609,912	111,436,012	85,602,295	104,580,407
Prepaid lease payments for land	6	-	16,715,666	-	-
Right-of-use assets	7	40,926,778	-	21,076,671	-
Intangible assets	8	-	-	-	-
Investments in subsidiaries	9	-	-	45,483,794	45,865,284
Deferred tax assets	16	84,124	-	-	-
		129,620,814	128,151,678	152,162,760	150,445,691
Current assets					
Inventories	10	47,461,711	47,677,278	42,843,553	40,879,491
Trade and other receivables	11	110,237,049	103,027,888	114,903,086	107,283,865
Current tax assets		737,069	1,484,926	-	-
Short term funds	12	168,736,241	141,862,668	151,692,586	125,300,340
Cash and bank balances	13	34,959,660	25,966,807	31,541,396	19,457,962
		362,131,730	320,019,567	340,980,621	292,921,658
TOTAL ASSETS		491,752,544	448,171,245	493,143,381	443,367,349
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	14	124,672,999	124,672,999	124,672,999	124,672,999
Reserves	15	185,294,331	168,464,574	152,283,848	136,763,830
		309,967,330	293,137,573	276,956,847	261,436,829
Non-controlling interests	9(c)	10,116,393	10,801,154	-	-
TOTAL EQUITY		320,083,723	303,938,727	276,956,847	261,436,829

STATEMENTS OF
FINANCIAL POSITION

AS AT 31 DECEMBER 2019 (CONTINUED)

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
EQUITY AND LIABILITIES (continued)					
LIABILITIES					
Non-current liabilities					
Lease liabilities	7	2,751,896	-	361,349	-
Deferred tax liabilities	16	4,390,101	4,777,545	4,261,602	4,649,046
		7,141,997	4,777,545	4,622,951	4,649,046
Current liabilities					
Trade and other payables	17	156,038,573	138,431,183	204,255,939	176,257,701
Lease liabilities	7	2,311,490	-	1,130,883	-
Current tax liabilities		6,176,761	1,023,790	6,176,761	1,023,773
		164,526,824	139,454,973	211,563,583	177,281,474
TOTAL LIABILITIES		171,668,821	144,232,518	216,186,534	181,930,520
TOTAL EQUITY AND LIABILITIES		491,752,544	448,171,245	493,143,381	443,367,349

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Revenue	19	766,197,738	560,519,516	777,655,210	558,742,224
Cost of sales		(691,699,704)	(495,890,490)	(707,702,403)	(497,880,844)
Gross profit		74,498,034	64,629,026	69,952,807	60,861,380
Other income		19,950,792	14,375,367	18,923,979	12,543,896
Distribution costs		(16,703,973)	(15,232,464)	(14,937,006)	(13,505,993)
Administrative expenses		(11,827,680)	(11,022,965)	(10,636,959)	(9,791,888)
Other expenses		(11,124,448)	(7,603,656)	(10,262,704)	(5,521,173)
Finance costs		(470,140)	(67,440)	(179,602)	(59,317)
Profit before tax	20	54,322,585	45,077,868	52,860,515	44,526,905
Tax expense	22	(12,536,151)	(8,445,228)	(12,608,755)	(8,438,615)
Profit for the financial year		41,786,434	36,632,640	40,251,760	36,088,290
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations		(175,391)	406,347	4,085	1,070
Total other comprehensive (loss)/income, net of tax		(175,391)	406,347	4,085	1,070
Total comprehensive income for the financial year		41,611,043	37,038,987	40,255,845	36,089,360

STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Profit attributable to:					
Owners of the parent		41,750,385	36,644,338	40,251,760	36,088,290
Non-controlling interests	9(c)	36,049	(11,698)	-	-
		41,786,434	36,632,640	40,251,760	36,088,290
Total comprehensive income attributable to:					
Owners of the parent		41,565,584	37,035,423	40,255,845	36,089,360
Non-controlling interests	9(c)	45,459	3,564	-	-
		41,611,043	37,038,987	40,255,845	36,089,360
Dividend per ordinary share (sen)					
- First interim dividend	23	10.0	8.0	10.0	8.0
Earnings per ordinary share attributable to equity holders of the Company:					
- Basic and diluted earnings per ordinary share (sen)	24	16.88	14.81		

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Note	Non-distributable				Distributable			Total equity RM
		Share capital RM	Capital reserve RM	Exchange translation reserve RM	Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM		
Balance as at 1 January 2019		124,672,999	1,259,157	6,396,319	160,809,098	293,137,573	10,801,154	303,938,727	
Profit for the financial year		-	-	-	41,750,385	41,750,385	36,049	41,786,434	
Other comprehensive loss, net of tax		-	-	(184,801)	-	(184,801)	9,410	(175,391)	
Total comprehensive income		-	-	(184,801)	41,750,385	41,565,584	45,459	41,611,043	
Transactions with owners									
Dividend paid	23	-	-	-	(24,735,827)	(24,735,827)	-	(24,735,827)	
Dividend paid to non-controlling interest of a subsidiary		-	-	-	-	-	(730,220)	(730,220)	
Total transactions with owners		-	-	-	(24,735,827)	(24,735,827)	(730,220)	(25,466,047)	
Balance as at 31 December 2019		124,672,999	1,259,157	6,211,518	177,823,656	309,967,330	10,116,393	320,083,723	

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

Group	Note	Non-distributable			Distributable			Total equity RM
		Share capital RM	Capital reserve RM	Exchange translation reserve RM	Retained earnings RM	attributable to owners of the parent RM	Non-controlling interests RM	
Balance as at 1 January 2018		124,672,999	1,259,157	6,005,234	143,953,422	275,890,812	10,797,590	286,688,402
Profit for the financial year		-	-	-	36,644,338	36,644,338	(11,698)	36,632,640
Other comprehensive income, net of tax		-	-	391,085	-	391,085	15,262	406,347
Total comprehensive income		-	-	391,085	36,644,338	37,035,423	3,564	37,038,987
Transactions with owners								
Dividend paid	23	-	-	-	(19,788,662)	(19,788,662)	-	(19,788,662)
Total transactions with owners		-	-	-	(19,788,662)	(19,788,662)	-	(19,788,662)
Balance as at 31 December 2018		124,672,999	1,259,157	6,396,319	160,809,098	293,137,573	10,801,154	303,938,727

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Company	Note	← Non-distributable →		Distributable	Total equity RM
		Share capital RM	Exchange translation reserve RM	Retained earnings RM	
Balance as at 1 January 2018		124,672,999	479,966	119,983,166	245,136,131
Profit for the financial year		-	-	36,088,290	36,088,290
Other comprehensive income, net of tax		-	1,070	-	1,070
Total comprehensive income		-	1,070	36,088,290	36,089,360
Transaction with owners					
Dividend paid	23	-	-	(19,788,662)	(19,788,662)
Total transaction with owners		-	-	(19,788,662)	(19,788,662)
Balance as at 31 December 2018/ 1 January 2019		124,672,999	481,036	136,282,794	261,436,829
Profit for the financial year		-	-	40,251,760	40,251,760
Other comprehensive income, net of tax		-	4,085	-	4,085
Total comprehensive income		-	4,085	40,251,760	40,255,845
Transaction with owners					
Dividend paid	23	-	-	(24,735,827)	(24,735,827)
Total transaction with owners		-	-	(24,735,827)	(24,735,827)
Balance as at 31 December 2019		124,672,999	485,121	151,798,727	276,956,847

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		54,322,585	45,077,868	52,860,515	44,526,905
Adjustments for:					
Amortisation of prepaid lease payments for land	6	-	318,900	-	-
Gain on bargain purchase	9(f)	-	(744,070)	-	-
Depreciation of property, plant and equipment	5	12,863,991	11,124,986	12,683,182	10,811,584
Depreciation of right-of-use assets	7	3,207,090	-	1,669,363	-
Dividend income		-	-	1,095,330	-
Gain on disposal of property, plant and equipment	20	(28,270)	(321,720)	(28,270)	(321,720)
Impairment losses on:					
- investment in a subsidiary	9(e)	-	-	381,490	-
- trade receivables	11(f)	2,640,946	-	2,638,488	-
Income distribution from short term funds		(3,662,034)	(3,068,191)	(3,064,568)	(2,438,129)
Interest expense on lease liabilities		410,329	-	126,236	-
Interest income		(233,427)	(157,618)	(182,511)	(126,876)
Inventories written down	10(c)	423,315	499,418	312,570	438,523
Net unrealised (gain)/loss on foreign exchange		(100,259)	(740,673)	84,135	(1,238,908)
Property, plant and equipment written off	5	-	1,339	-	1,339
Operating profit before working capital changes		69,844,266	51,990,239	68,575,960	51,652,718
Changes in working capital:					
Inventories		(207,748)	(5,731,268)	(2,276,632)	(2,129,191)
Trade and other receivables		(7,196,305)	(629,710)	(8,906,353)	(8,185,450)
Trade and other payables		15,963,829	22,059,793	31,464,769	27,945,627
Cash generated from operations		78,404,042	67,689,054	88,857,744	69,283,704
Tax paid, net of refund		(7,106,890)	(6,284,962)	(7,843,211)	(6,301,959)
Net cash from operating activities		71,297,152	61,404,092	81,014,533	62,981,745

STATEMENTS OF
CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
(Advances to)/Repayments from subsidiaries		-	-	(8,881,044)	21,429,246
Acquisition of a subsidiary	9(f)	-	(5,748,611)	-	(10,635,211)
Income distribution from short term funds		3,662,034	3,068,191	3,064,568	2,438,129
Interest received		233,427	157,618	182,511	126,876
Withdrawal/(Placement) of deposits placed with licensed banks with original maturity of more than three (3) months		32,681	(128,938)	-	-
Proceeds from disposal of property, plant and equipment		28,270	407,340	28,270	407,340
Purchase of property, plant and equipment	5	(9,964,150)	(20,753,539)	(9,588,192)	(20,700,532)
Net cash used in investing activities		(6,007,738)	(22,997,939)	(15,193,887)	(6,934,152)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to ordinary shareholders of the Company	23	(24,735,827)	(19,788,662)	(24,735,827)	(19,788,662)
Dividends paid to non-controlling interest of a subsidiary		(730,220)	-	-	-
Payments of lease liabilities		(2,792,011)	-	(1,406,904)	-
Net cash used in financing activities		(28,258,058)	(19,788,662)	(26,142,731)	(19,788,662)
Net increase in cash and cash equivalents		37,031,356	18,617,491	39,677,915	36,258,931
Cash and cash equivalents at beginning of financial year		167,663,537	149,251,315	144,758,302	109,124,746
Effects of exchange rate changes on cash and cash equivalents		(1,132,249)	(205,269)	(1,202,235)	(625,375)
Cash and cash equivalents at end of financial year	13(d)	203,562,644	167,663,537	183,233,982	144,758,302

STATEMENTS OF
CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities (Note 7)	
	Group RM	Company RM
At 1 January 2019, as previously reported	-	-
Effects of adoption of MFRS 16	6,513,739	1,841,571
At 1 January 2019, as restated	6,513,739	1,841,571
Non-cash flows		
- Accretion of interest expense	410,329	126,236
- Addition of lease liabilities	931,329	931,329
Cash flows		
- Repayments	(2,792,011)	(1,406,904)
At 31 December 2019	5,063,386	1,492,232

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. CORPORATE INFORMATION

Formosa Prosonic Industries Berhad (“the Company”) is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi 59200 Kuala Lumpur. The principal place of business of the Company is located at Lot 1, Lebu 1, Bandar Sultan Suleiman, Taiwanese Industrial Park, 42000 Port Klang, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 31 December 2019 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia (“RM”), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 27 May 2020.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the assembly of high quality speaker systems. The principal activities of the subsidiaries are set out in Note 9 to the financial statements.

There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company set out on pages 64 to 124 have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 30 to the financial statements.

The Group and the Company applied MFRS 16 *Leases* for the first time during the current financial year, using the cumulative effect method as at 1 January 2019. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

4. OPERATING SEGMENTS

The Group is principally engaged in manufacturing and sales of high quality speaker systems.

The Group has arrived at two (2) (2018: two (2)) reportable segments that are organised and managed separately according to the countries, which requires different resource management and marketing strategies. The reportable segments are Malaysia and United Kingdom.

Segment performance is evaluated based on operating profit, excluding non-recurring losses, and in certain respect as explained in the table below. It is measured differently from operating profit in consolidated financial statements.

Inter-segment revenue is priced along the same lines as sales to external customers and conditions and is eliminated on the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets exclude tax assets and assets used primarily for corporate purposes. Segment liabilities exclude tax liabilities.

Details are provided in the reconciliations from segment assets and liabilities to the position of the Group.

2019	Malaysia RM	United Kingdom RM	Total RM
Revenue			
Total revenue	862,874,533	-	862,874,533
Inter-segment revenue	(96,676,795)	-	(96,676,795)
Revenue from external customers	766,197,738	-	766,197,738
Operating profit/(loss)	43,421,774	(37,894)	43,383,880
Gain on disposal of property, plant and equipment	28,270	-	28,270
Income distribution from short term funds	3,662,034	-	3,662,034
Interest income	228,893	4,534	233,427
Net exchange (loss)/ gain on unrealised foreign exchange	(127,716)	227,975	100,259
Net exchange gain on realised foreign exchange	6,630,944	283,771	6,914,715
Segment profit before tax	53,844,199	478,386	54,322,585

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

4. OPERATING SEGMENTS (continued)

Details are provided in the reconciliations from segment assets and liabilities to the position of the Group (continued).

2019	Malaysia RM	United Kingdom RM	Total RM
Assets			
Segment assets	488,194,377	2,736,974	490,931,351
Liabilities			
Segment liabilities	160,142,020	959,939	161,101,959
Other information			
Capital expenditure	9,964,150	-	9,964,150
Depreciation of property, plant and equipment	12,830,653	33,338	12,863,991
Depreciation of right-of-use assets	3,207,090	-	3,207,090
Impairment losses on trade receivables	2,640,946	-	2,640,946
Inventories written down	423,315	-	423,315
2018			
Revenue			
Total revenue	618,848,468	-	618,848,468
Inter-segment revenue	(58,328,952)	-	(58,328,952)
Revenue from external customers	560,519,516	-	560,519,516
Operating profit/(loss)	37,263,155	(154,007)	37,109,148
Gain on disposal of property, plant and equipment	321,720	-	321,720
Income distribution from short term funds	3,068,191	-	3,068,191
Interest income	155,117	2,501	157,618
Net exchange gain/(loss) on unrealised foreign exchange	1,178,448	(437,775)	740,673
Net exchange gain/(loss) on realised foreign exchange	3,915,147	(234,629)	3,680,518
Segment profit before tax	45,901,778	(823,910)	45,077,868

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

4. OPERATING SEGMENTS (continued)

Details are provided in the reconciliations from segment assets and liabilities to the position of the Group (continued).

2018	Malaysia RM	United Kingdom RM	Total RM
Assets			
Segment assets	443,431,865	3,254,454	446,686,319
Liabilities			
Segment liabilities	136,735,154	1,696,029	138,431,183
Other information			
Amortisation of prepaid lease payments for land	318,900	-	318,900
Capital expenditure	21,333,273	-	21,333,273
Depreciation of property, plant and equipment	11,092,329	32,657	11,124,986
Inventories written down	499,418	-	499,418
Property, plant and equipment written off	1,339	-	1,339

Reconciliations of reportable profit or loss, assets and liabilities to the corresponding amounts of the Group are as follows:

	2019 RM	2018 RM
Profit for the financial year		
Total profit for reportable segments	54,322,585	45,077,868
Income tax expense	(12,536,151)	(8,445,228)
Profit for the financial year	41,786,434	36,632,640
Assets		
Total assets for reportable segments	490,931,351	446,686,319
Deferred tax assets	84,124	-
Current tax assets	737,069	1,484,926
Assets of the Group	491,752,544	448,171,245

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

4. OPERATING SEGMENTS (continued)

Reconciliations of reportable profit or loss, assets and liabilities to the corresponding amounts of the Group are as follows (continued):

	2019 RM	2018 RM
Liabilities		
Total liabilities for reportable segments	161,101,959	138,431,183
Deferred tax liabilities	4,390,101	4,777,545
Current tax liabilities	6,176,761	1,023,790
	<hr/>	
Liabilities of the Group	171,668,821	144,232,518

Geographical segments

The major businesses of the Group operate in the following main geographical areas:

Malaysia : Manufacturing and sales of high quality speaker systems.

UK : Previously engaged in sales of speaker systems and has ceased operation in financial year 2017.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location from which the sale transactions originated.

Segment assets are based on the geographical location of the assets of the Group. The non-current assets do not include financial instruments, deferred tax assets and other investment.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

4. OPERATING SEGMENTS (continued)

Geographical segments (continued)

(a) Revenue from external customers

	2019 RM	2018 RM
Malaysia	766,197,738	560,519,516

(b) Non-current assets

	2019 RM	2018 RM
Malaysia	127,277,561	125,906,086
United Kingdom	2,259,129	2,245,592
	129,536,690	128,151,678

Major customers

The following are major customers with revenue equal to or more than ten percent (10%) of Group revenue:

	Revenue	
	2019	2018
- Customer A	34.4%	45.7%
- Customer B	19.6%	19.6%
- Customer C	24.7%	-
	78.7%	65.3%

The major customers of the Group are derived from the manufacturing and sales of speaker systems.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The estimated useful lives represent common life expectancies applied in the various business segments of the Group. The principal depreciation periods and annual rates used are as follows:

Leasehold land	45 - 99 years
Freehold land and buildings	2%
Buildings	2%
Plant and machinery	10% - 50%
Motor vehicles	20%
Furniture, fittings and equipment	10% - 50%
Renovations	10% - 33%
Electrical installations	10%

Freehold land has unlimited useful life and therefore is not depreciated.

- (b) Depreciation has been provided on the freehold land and buildings of the Group as the Group has not been able to segregate the cost of the freehold buildings from the cost of the related freehold land. The Directors are of the opinion that inclusion of the depreciation of the freehold land has no material effect on the financial statements of the Group.
- (c) In the previous financial year, the Group had assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group had classified the unamortised upfront payment for land use rights as finance leases in accordance with MFRS 117 *Leases*.

6. PREPAID LEASE PAYMENTS FOR LAND

The classification of leasehold land as a finance lease or an operating lease required the use of judgement in determining the extent to which risk and rewards incidental to its ownership lie. Due to the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land and that the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the land at the inception of the lease, management had determined that the leasehold land lease does not transfer substantially all the risks and rewards to the Group and hence, it is classified as operating lease.

The long term leasehold land is amortised to profit or loss over a period of 60 years and it has a remaining lease tenure of 51 years (2018: 52 years).

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

6. PREPAID LEASE PAYMENTS FOR LAND (continued)

Group	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 (Note 30.1) RM	Balance as at 31.12.2019 RM
Carrying amount			
Long term leasehold land	16,715,666	(16,715,666)	-

	← At 31.12.2019 →		
	Cost RM	Accumulated amortisation RM	Carrying amount RM
Long term leasehold land	-	-	-

Group	Balance as at 1.1.2018 RM	Amortisation charge for the financial year RM	Balance as at 31.12.2018 RM
Carrying amount			
Long term leasehold land	17,034,566	(318,900)	16,715,666

	← At 31.12.2018 →		
	Cost RM	Accumulated amortisation RM	Carrying amount RM
Long term leasehold land	19,133,990	(2,418,324)	16,715,666

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

7. LEASES

The Group as lessee

Right-of-use assets

	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 (Note 30.1) RM	Additions RM	Depreciation RM	Balance as at 31.12.2019 RM
Carrying amount					
Leasehold land	-	36,688,800	-	(664,816)	36,023,984
Buildings	-	6,513,739	931,329	(2,542,274)	4,902,794
	-	43,202,539	931,329	(3,207,090)	40,926,778

Lease liabilities

	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 (Note 30.1) RM	Additions RM	Lease payments RM	Interest expense RM	Balance as at 31.12.2019 RM
Carrying amount						
Buildings	-	6,513,739	931,329	(2,792,011)	410,329	5,063,386

The Company as lessee

Right-of-use assets

	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 (Note 30.1) RM	Additions RM	Depreciation RM	Balance as at 31.12.2019 RM
Carrying amount					
Leasehold land	-	19,973,134	-	(345,916)	19,627,218
Buildings	-	1,841,571	931,329	(1,323,447)	1,449,453
	-	21,814,705	931,329	(1,669,363)	21,076,671

Lease liabilities

	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 (Note 30.1) RM	Additions RM	Lease payments RM	Interest expense RM	Balance as at 31.12.2019 RM
Carrying amount						
Buildings	-	1,841,571	931,329	(1,406,904)	126,236	1,492,232

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

7. LEASES (continued)

	Group RM	2019 Company RM
Represented by:		
Current liabilities	2,311,490	1,130,883
Non-current liabilities	2,751,896	361,349
	5,063,386	1,492,232
Lease liabilities owing to non-financial institutions	5,063,386	1,492,232

- (a) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The lease terms of right-of-use assets are as follows:

Leasehold land	45 - 99 years
Buildings	13 - 36 months

- (b) The Group and the Company have certain leases of buildings with lease term of 12 months or less. The Group and the Company apply the "short-term lease" exemption for these leases.
- (c) The following are the amounts recognised in profit or loss:

	Group RM	2019 Company RM
Depreciation charge of right-of-use assets	3,207,090	1,669,363
Interest expense on lease liabilities	410,329	126,236
Rental expense relating to short term leases	382,278	382,278
	3,999,697	2,177,877

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

7. LEASES (continued)

- (d) At the end of the financial year, the Group and the Company had total cash outflows for leases of RM2,792,011 and RM1,406,904 respectively.
- (e) The Group determines the lease term of a lease as the non-cancellable period of the lease together with periods covered by an option to extend or to terminate the lease if the Group is reasonably certain to exercise the relevant options. Management has considered the relevant facts and circumstances that create an economic incentive for the Group to either exercise the option to extend the lease, or to exercise the option to terminate the lease. Any differences in expectations from the original estimates would impact the carrying amounts of the lease liabilities of the Group.
- (f) The following table sets out the carrying amounts, the weighted average incremental borrowing rates and the remaining maturities of the lease liabilities of the Group and of the Company that are exposed to interest rate risk:

31 December 2019	Weighted average incremental borrowing rate per annum %	Within 1 year RM	1 - 2 years RM	Total RM
Group				
Lease liabilities				
Floating rates	7.0%	2,311,490	2,751,896	5,063,386
Company				
Lease liabilities				
Floating rates	7.0%	1,130,883	361,349	1,492,232

- (g) The table below summarises the maturity profile of the lease liabilities of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations as follows:

31 December 2019	On demand or within one year RM	One to two years RM	Total RM
Group			
Lease liabilities	2,571,647	2,911,889	5,483,536
Company			
Lease liabilities	1,186,540	372,525	1,559,065

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

7. LEASES (continued)**The Group as a lessor**

The Group had entered into lease arrangements on factory buildings for terms of three (3) to five (5) years. The lease includes a clause to enable renegotiation of the rental charges prior to the expiry of the third and fifth year depending on prevailing market conditions.

The Group has aggregate future minimum lease receivables as at the end of each reporting period as follows:

	Group and Company	
	2019	2018
	RM	RM
Not later than one (1) year	2,542,008	2,091,730
Later than one (1) year and not later than five (5) years	4,872,182	2,015,004
	7,414,190	4,106,734

8. INTANGIBLE ASSETS

Group	Cost	Accumulated amortisation and impairment	Carrying amount
	RM	RM	RM
At 31 December 2019			
Computer software	1,318,124	(1,318,124)	-
At 31 December 2018			
Computer software	1,318,124	(1,318,124)	-

Computer software costs are stated at cost less accumulated amortisation cost and accumulated impairment losses, if any. These costs are amortised using the straight line method over their estimated useful lives of eight (8) years. The computer software was fully amortised in the previous financial years.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 RM	2018 RM
Unquoted shares, at cost	63,754,710	63,754,710
Less: Impairment losses	(18,270,916)	(17,889,426)
	45,483,794	45,865,284

- (a) Investments in subsidiaries, which are eliminated on consolidation, are stated in the separate financial statements of the Company at cost less impairment losses, if any.

All components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

- (b) Details of the subsidiaries are as follows:

Name of company	Country of incorporation/ Principal place of business	Interest in equity held by				Principal activities
		Company		Subsidiaries		
		2019 %	2018 %	2019 %	2018 %	
Formosa Prosonic Manufacturing Sdn. Bhd.	Malaysia	100	100	-	-	Inactive
Acoustic Energy Limited*	United Kingdom	100	100	-	-	Ceased operations
Energistic Sdn. Bhd.	Malaysia	100	100	-	-	Provision of consultancy services, system development and integrated solutions for business application software (ceased operation with effective from September 2018)
Winmax Holdings Group Limited #	British Virgin Islands, United Kingdom	-	60	-	-	Investment holding (struck off during the financial year)

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

9. INVESTMENTS IN SUBSIDIARIES (continued)

(b) Details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation/ Principal place of business	Interest in equity held by				Principal activities
		Company		Subsidiaries		
		2019 %	2018 %	2019 %	2018 %	
Heracles Enterprises Limited*	British Virgin Islands, United Kingdom	70	70	-	-	Investment holding
Formosa Prosonic Technics Sdn. Bhd.+	Malaysia	100	100	-	-	Manufacturing and assembly of speaker units

Subsidiary of Heracles Enterprise Limited

Formosa Prosonic Technology Sdn. Bhd.*	Malaysia	-	-	100	100	Inactive
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Subsidiary of Formosa Prosonic Technics Sdn. Bhd.

Aerotronic Sdn. Bhd.+	Malaysia	-	-	100	100	Inactive
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Not required to be audited under the local legislations.

* Subsidiaries not audited by BDO PLT.

+ Details of acquisition of a subsidiary in the previous financial year are disclosed in Note 9(f) to the financial statements.

(c) The subsidiaries of the Group that have non-controlling interests ('NCI') are as follows:

	Winmax Holdings Group Limited	Heracles Enterprises Limited	Total
2019			
NCI percentage of ownership interest and voting interest	40.00%	30.00%	
Carrying amount of NCI (RM)	-	10,116,393	10,116,393
(Loss)/Profit allocated to NCI (RM)	(275)	36,324	36,049
Total comprehensive income allocated to NCI (RM)	9,135	36,324	45,459

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

9. INVESTMENTS IN SUBSIDIARIES (continued)

(c) The subsidiaries of the Group that have non-controlling interests ('NCI') are as follows (continued):

	Winmax Holdings Group Limited	Heracles Enterprises Limited	Total
2018			
NCI percentage of ownership interest and voting interest	40.00%	30.00%	
Carrying amount of NCI (RM)	721,448	10,079,706	10,801,154
<hr/>			
(Loss)/Profit allocated to NCI (RM)	(62,098)	50,400	(11,698)
<hr/>			
Total comprehensive (loss)/ income allocated to NCI (RM)	(46,836)	50,400	3,564
<hr/>			

(d) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows:

	Winmax Holdings Group Limited RM	Heracles Enterprises Limited RM
2019		
Assets and liabilities		
Non-current assets	-	16,396,766
Current assets	-	17,378,302
Current liabilities	-	(54,966)
<hr/>		
Net assets	-	33,720,102
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NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

9. INVESTMENTS IN SUBSIDIARIES (continued)

- (d) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows (continued):

2019	Winmax Holdings Group Limited RM	Heracles Enterprises Limited RM
Results		
Revenue	-	-
(Loss)/Profit for the financial year	(690)	121,081
Total comprehensive income	22,838	121,081
<hr/>		
Cash flows from/(used in) operating activities	172,272	(191,505)
Cash flows from investing activities	-	594,716
<hr/>		
Net increase in cash and cash equivalents	172,272	403,211
<hr/>		
2018		
Assets and liabilities		
Non-current assets	-	16,715,666
Current assets	10,529,188	16,975,091
Current liabilities	(8,726,476)	(91,736)
<hr/>		
Net assets	1,802,712	33,599,021
<hr/>		
Results		
Revenue	-	-
(Loss)/Profit for the financial year	(155,246)	167,999
Total comprehensive (loss)/income	(117,091)	167,999
<hr/>		
Cash flows from/(used in) operating activities	403,560	(119,889)
Cash flows from investing activities	-	606,788
<hr/>		
Net increase in cash and cash equivalents	403,560	486,899
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NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

9. INVESTMENTS IN SUBSIDIARIES (continued)

- (e) Impairment losses on investment in a subsidiary, Winmax Holdings Group Limited (“Winmax”), amounting to RM381,490 (2018: Nil) has been recognised during the financial year as Winmax has been struck off during the financial year.
- (f) Acquisition of a subsidiary in the previous financial year

Formosa Prosonic Technics Sdn. Bhd. (“FPT”)

On 2 January 2018, the Company had acquired 9,990,000 ordinary shares, representing 100% equity interest in FPT for a total cash consideration of RM10,635,211. FPT has equity interest in Aerotronic Sdn. Bhd. (“Aero”). Arising from the acquisition, FPT and Aero have become wholly owned subsidiaries of the Group.

The fair values of the identifiable assets and liabilities acquired and the effects on cash flows arising from the acquisition were as follows:

	At date of acquisition RM
Property, plant and equipment (Note 5)	579,734
Inventories	3,256,605
Trade and other receivables	9,406,551
Tax recoverable	1,454,800
Cash and bank balances	4,886,600
Trade and other payables	(8,205,009)
<hr/>	
Total identified net assets	11,379,281
Gain on bargain purchase	(744,070)
<hr/>	
Purchase consideration	10,635,211
Cash and cash equivalents of the subsidiary acquired	(4,886,600)
<hr/>	
Net cash outflow of the Group on acquisition	5,748,611
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NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

10. INVENTORIES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At cost				
Raw materials	26,970,663	24,349,343	22,994,143	19,453,356
Work-in-progress	6,402,230	7,969,310	6,215,177	7,724,352
Finished goods	8,790,974	14,086,336	8,496,777	12,779,609
	42,163,867	46,404,989	37,706,097	39,957,317
At net realisable value				
Work-in-progress	544	31,615	544	31,615
Finished goods	5,297,300	1,240,674	5,136,912	890,559
	5,297,844	1,272,289	5,137,456	922,174
	47,461,711	47,677,278	42,843,553	40,879,491

- (a) Inventories are stated at the lower of cost and net realisable value.
- (b) Cost is determined using the first-in-first-out basis.
- (c) During the financial year, inventories of the Group and of the Company recognised as cost of sales amounted to RM546,756,466 (2018: RM365,241,718) and RM580,530,069 (2018: RM383,205,028) respectively. In addition, the amounts recognised in the cost of sales include:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Inventories written down	423,315	499,418	312,570	438,523

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated recoverable amount. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered. Management specifically analyses the current market prices and future demand when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences would impact the carrying amount of inventories.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade receivables				
Third parties	79,022,137	93,439,705	78,413,440	92,505,056
Amount owing by a related party	27,545,906	-	27,545,906	-
Amounts owing by subsidiaries	-	-	11,602,504	11,659,276
	106,568,043	93,439,705	117,561,850	104,164,332
Less: Impairment losses				
- Third parties	(2,853,958)	(213,012)	(2,693,388)	(54,900)
- Amounts owing by subsidiaries	-	-	(6,206,813)	(6,206,813)
	103,714,085	93,226,693	108,661,649	97,902,619
Other receivables				
Other receivables	4,412,431	6,839,329	4,892,891	7,274,713
Deposits	1,309,001	1,152,984	1,094,867	938,850
Amounts owing by subsidiaries	-	-	-	509
	5,721,432	7,992,313	5,987,758	8,214,072
Total receivables	109,435,517	101,219,006	114,649,407	106,116,691
Prepayments				
Prepayments	801,532	1,808,882	253,679	1,167,174
	110,237,049	103,027,888	114,903,086	107,283,865

- (a) Total receivables are classified as financial assets measured at amortised cost.
- (b) Trade receivables are non-interest bearing and the normal credit terms of trade receivables granted by the Group ranged from 30 to 90 days (2018: 30 to 90 days). They are recognised at their original invoices amounts, which represent their fair values on initial recognition.
- (c) Trade amounts owing by subsidiaries are subject to normal trade credit terms of 30 to 90 days (2018: 30 to 90 days).

Non-trade balance owing by subsidiaries represented advances and payments made on behalf, which were unsecured, interest-free and payable upon demand or within one (1) year in cash and cash equivalents.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

11. TRADE AND OTHER RECEIVABLES (continued)

- (d) Foreign currency exposure of trade and other receivables of the Group and of the Company (excluding prepayments) are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	47,540,578	63,738,499	47,559,509	63,685,398
United States Dollar	61,886,826	37,459,916	67,040,537	42,324,016
Pound Sterling	8,113	7,953	-	-
New Taiwan Dollar	-	-	49,361	94,639
Chinese Renminbi	-	12,638	-	12,638
	109,435,517	101,219,006	114,649,407	106,116,691

- (e) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

The Group uses an allowance matrix to measure the expected credit loss of trade receivables from individual customers. Expected loss rates are calculated using the roll rate method. The expected loss rates are based on the Group's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors.

For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within other expenses in statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward looking information.

During the financial year, the Group did not renegotiate the terms of any trade receivables.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

11. TRADE AND OTHER RECEIVABLES (continued)

- (e) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses. (continued)

Lifetime expected loss provision for third parties trade receivables are as follows:

31 December 2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total RM
Group					
Expected loss rate	0.3%	0.4%	3.1%	5.5%	
Gross carrying amount (RM)	53,546,635	47,894,862	2,479,479	2,647,067	106,568,043
Impairment (RM)	185,512	180,424	76,247	144,276	586,459
Company					
Expected loss rate	0.3%	0.4%	3.1%	5.7%	
Gross carrying amount (RM)	53,059,672	47,885,285	2,479,479	2,534,910	105,959,346
Impairment (RM)	183,190	180,288	76,247	144,276	584,001

No expected credit loss arising from trade receivables was recognised in the previous financial year as it was negligible.

- (f) The movement of the allowance for impairment loss on trade receivables is as follows:

Group	Lifetime ECL allowance RM	Credit impaired RM	Total allowance RM
2019			
At 1 January 2019	-	213,012	213,012
Charge for the financial year	586,459	2,054,487	2,640,946
At 31 December 2019	586,459	2,267,499	2,853,958
2018			
At 1 January 2018/31 December 2018	-	213,012	213,012

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

11. TRADE AND OTHER RECEIVABLES (continued)

(f) The movement of the allowance for impairment loss on trade receivables is as follows (continued):

Company	Lifetime ECL allowance RM	Credit impaired RM	Total allowance RM
2019			
At 1 January 2019	-	6,261,713	6,261,713
Charge for the financial year	584,001	2,054,487	2,638,488
At 31 December 2019	584,001	8,316,200	8,900,201
2018			
At 1 January 2018/31 December 2018	-	6,261,713	6,261,713

Credit impaired refers to individually determined debtors who are in significant financial difficulties and have defaulted on payments to be impaired as at the end of the reporting period.

(g) Impairment for other receivables and non-trade amounts owing by subsidiaries are recognised based on general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group defined significant increase in credit risk as payment delays and past due information of other receivables. The probability of non-payment by the other receivables is adjusted by forward looking information as stated in Note (e).

No expected credit loss is recognised arising from the other receivables and non-trade amounts owing by subsidiaries as it is negligible.

(h) The credit risk concentration profile of the trade receivables at the end of the reporting period, approximately are as follows:

- 85.0% (2018: 80.9%) of the trade receivables of the Group were due from 3 major customers, who are multi-industry conglomerates.
- 81.1% (2018: 77.0%) of the trade receivables of the Company were due from 3 major customers, who are multi-industry conglomerates.
- 4.7% (2018: 5.1%) of the trade and other receivables of the Company were amounts due from subsidiaries.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

11. TRADE AND OTHER RECEIVABLES (continued)

- (i) Sensitivity analysis of RM against foreign currencies at the end of each reporting period, assuming that all other variables remain constant, are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Effects of foreign currencies strengthen by 3% against RM				
Profit after tax	1,411,205	854,556	1,529,650	967,433

If the relevant foreign currencies weaken by 3% against RM, impact on the profit after tax would be vice versa.

12. SHORT TERM FUNDS

- (a) Short term funds are classified as fair value through profit or loss and measured at fair value, which is under Level 2 of fair value hierarchy. The fair value of short term funds in Malaysia is determined by reference to counter parties' quotes at the close of the business at the end of the reporting period.
- (b) Short term funds are mainly designated to manage free cash flows and optimise working capital so as to provide a steady stream of income returns. It is an integral part of the overall cash management.
- (c) The short term funds of the Group and of the Company represent investments in highly liquid money market, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value and hence, meet the definition to be classified as cash and cash equivalents.
- (d) Foreign currency exposure of short term fund is as follows:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Ringgit Malaysia	118,434,082	92,102,648	101,407,854	75,558,056
United States Dollar	50,302,159	49,760,020	50,284,732	49,742,284
	168,736,241	141,862,668	151,692,586	125,300,340

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

12. SHORT TERM FUNDS (continued)

- (e) Sensitivity analysis of RM against foreign currencies at the end of each reporting period, assuming that all other variables remain constant, are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Effects of foreign currencies strengthen by 3% against RM				
Profit after tax	1,146,889	1,134,528	1,146,492	1,134,124

If the relevant foreign currencies weaken by 3% against RM, impact on the profit after tax would be vice versa.

13. CASH AND BANK BALANCES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	11,594,453	7,546,769	8,309,446	3,303,862
Deposits with licensed banks	23,365,207	18,420,038	23,231,950	16,154,100
	34,959,660	25,966,807	31,541,396	19,457,962

- (a) Cash and bank balances are classified as financial assets measured at amortised cost.
- (b) Deposits with licensed banks are subject to fixed weighted average effective interest rates of 2.37% (2018: 2.17%) and with a maturity period ranging from 2 days to 257 days (2018: 2 days to 256 days).
- (c) Sensitivity analysis for fixed rate cash and bank balances at the end of the reporting period is not presented as the profit or loss is not affected by changes in interest rates.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

13. CASH AND BANK BALANCES (continued)

- (d) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of each reporting period:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	11,594,453	7,546,769	8,309,446	3,303,862
Deposits with licensed banks	23,365,207	18,420,038	23,231,950	16,154,100
Short term funds (Note 12)	168,736,241	141,862,668	151,692,586	125,300,340
	203,695,901	167,829,475	183,233,982	144,758,302
Less:				
Deposits placed with licensed banks with original maturity of more than three (3) months	(133,257)	(165,938)	-	-
	203,562,644	167,663,537	183,233,982	144,758,302

- (e) Foreign currency exposure of cash and bank balances are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	32,452,675	22,118,616	29,833,520	18,549,943
United States Dollar	1,116,375	2,090,788	923,325	162,702
Chinese Renminbi	190,251	93,423	53,924	80,593
Japanese Yen	4,744	4,731	4,744	4,731
Singapore Dollar	97	97	97	97
New Taiwan Dollar	725,786	659,896	725,786	659,896
Pound Sterling	469,732	999,256	-	-
	34,959,660	25,966,807	31,541,396	19,457,962

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

13. CASH AND BANK BALANCES (continued)

- (f) Sensitivity analysis of RM against foreign currencies at the end of each reporting period, assuming that all other variables remain constant, are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Effects of foreign currencies strengthen by 3% against RM				
Profit after tax	57,159	87,739	38,940	20,703

If the relevant foreign currencies weaken by 3% against RM, impact on the profit after tax would be vice versa.

- (g) No expected credit losses were recognised arising from the deposits with financial institutions because the probability of default by these financial institutions were negligible.

14. SHARE CAPITAL

Issued and fully paid	Number of shares	Group and Company	
		2019 RM	2018 RM
Balance as at 1 January/31 December	247,358,266	124,672,999	124,672,999

Owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

15. RESERVES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-distributable:				
Capital reserve	1,259,157	1,259,157	-	-
Exchange translation reserve	6,211,518	6,396,319	485,121	481,036
	7,470,675	7,655,476	485,121	481,036
Distributable:				
Retained earnings	177,823,656	160,809,098	151,798,727	136,282,794
	185,294,331	168,464,574	152,283,848	136,763,830

(a) Capital reserve

This represents capitalisation of retained earnings as a result of bonus issue of shares in a subsidiary.

(b) Exchange translation reserve

Exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items which form part of the net investment in foreign operations of the Group, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

16. DEFERRED TAX

The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deferred tax assets	84,124	-	-	-
Deferred tax liabilities	(4,390,101)	(4,777,545)	(4,261,602)	(4,649,046)
	(4,305,977)	(4,777,545)	(4,261,602)	(4,649,046)

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

16. DEFERRED TAX (continued)

(a) The amount of the deferred tax income or expense recognised in profit or loss during the financial year are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Balance as at 1 January	4,777,545	3,587,043	4,649,046	3,458,544
Recognised in profit or loss (Note 22)	(471,568)	1,190,502	(387,444)	1,190,502
Balance as at 31 December	4,305,977	4,777,545	4,261,602	4,649,046

(b) The components and movements of deferred tax liabilities and assets during the financial year are as follows:

Deferred tax liabilities of the Group

	Property, plant and equipment RM	Other temporary differences RM	Total RM
2019			
At 1 January 2019	4,480,207	297,338	4,777,545
Recognised in profit or loss	142,999	(530,443)	(387,444)
At 31 December 2019	4,623,206	(233,105)	4,390,101
2018			
At 1 January 2018	3,496,899	90,144	3,587,043
Recognised in profit or loss	983,308	207,194	1,190,502
At 31 December 2018	4,480,207	297,338	4,777,545

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

16. DEFERRED TAX (continued)

- (b) The components and movements of deferred tax liabilities and assets during the financial year are as follows (continued):

Deferred tax assets of the Group

	Unused tax losses RM	Total RM
2019		
At 1 January 2019	-	-
Recognised in profit or loss	(84,124)	(84,124)
At 31 December 2019	(84,124)	(84,124)
2018		
At 1 January 2018	-	-
Recognised in profit or loss	-	-
At 31 December 2018	-	-

Deferred tax liabilities of the Company

	Property, plant and equipment RM	Other temporary differences RM	Total RM
2019			
At 1 January 2019	4,351,708	297,338	4,649,046
Recognised in profit or loss	142,999	(530,443)	(387,444)
At 31 December 2019	4,494,707	(233,105)	4,261,602
2018			
At 1 January 2018	3,368,400	90,144	3,458,544
Recognised in profit or loss	983,308	207,194	1,190,502
At 31 December 2018	4,351,708	297,338	4,649,046

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

16. DEFERRED TAX (continued)

- (b) The components and movements of deferred tax liabilities and assets during the financial year are as follows (continued):

The amounts of temporary differences for which no deferred tax assets have been recognised in the consolidated statement of financial position are as follows:

	Group	
	2019	2018
	RM	RM
Unused tax losses		
- Expires by 31 December 2025	6,464,408	7,719,524
Unabsorbed capital allowances	162,922	249,220
Others	(706,778)	(443,368)
	5,920,552	7,525,376

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised.

The amount and availability of these items to be carried forward up to the periods as disclosed above are subject to the agreement of the tax authority.

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Trade payables				
Third parties	92,846,490	88,080,819	84,397,190	78,631,083
Amount owing to a related party	27,510,240	202,496	27,510,240	202,496
Amounts owing to subsidiaries	-	-	14,580,904	10,367,551
	120,356,730	88,283,315	126,488,334	89,201,130

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

17. TRADE AND OTHER PAYABLES (continued)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other payables				
Amounts owing to subsidiaries	-	-	45,090,473	49,882,014
Other payables	8,176,906	24,821,131	7,616,918	14,319,993
Accruals	26,177,003	21,252,853	23,911,657	18,780,680
	34,353,909	46,073,984	76,619,048	82,982,687
Contract liabilities	1,327,934	4,073,884	1,148,557	4,073,884
	156,038,573	138,431,183	204,255,939	176,257,701

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company ranged from 30 to 120 days (2018: 30 to 120 days).
- (c) Trade amounts owing to subsidiaries were subject to normal trade credit terms of 30 to 120 days (2018: 30 to 120 days).

Non-trade balances owing to subsidiaries represent advances and payments made on behalf, which are unsecured, interest-free and payable upon demand or within one (1) year in cash and cash equivalents.

- (d) Foreign currency exposure of trade and other payables of the Group and of the Company are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	98,443,580	98,381,051	151,081,467	141,655,150
United States Dollar	51,690,375	32,587,314	50,712,636	31,310,443
Chinese Renminbi	4,491,783	4,385,316	2,016,540	1,918,255
Japanese Yen	452,896	1,243,329	445,296	1,235,709
New Taiwan Dollar	-	86,594	-	86,594
Pound Sterling	959,939	1,696,029	-	-
Singapore Dollar	-	23,548	-	23,548
Euro	-	28,002	-	28,002
	156,038,573	138,431,183	204,255,939	176,257,701

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

17. TRADE AND OTHER PAYABLES (continued)

- (e) Sensitivity analysis of RM against foreign currencies at the end of each reporting period, assuming that all other variables remain constant, are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Effects of foreign currencies strengthen by 3% against RM				
Profit after tax	(1,313,166)	(913,143)	(1,212,378)	(788,938)

If the relevant foreign currencies weaken by 3% against RM, impact on the profit after tax would be vice versa.

- (f) Maturity profile of trade and other payables of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations is repayable on demand or within one (1) year.
- (g) Contract liabilities represent the timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect physical completion of the contracts. Contract liabilities are recognised as revenue when performance obligations are satisfied.

The contract liabilities comprise deferred income which arises from contract entered into with the customers at the end of the reporting period for goods to be sold.

- (h) The movements in the contract liabilities are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At beginning of the year	4,073,884	4,997,568	4,073,884	4,997,568
Net revenue recognised during the financial year	(5,884,329)	(5,950,815)	(5,812,018)	(5,950,815)
Cash received in advance	3,138,379	5,027,131	2,886,691	5,027,131
At end of the year	1,327,934	4,073,884	1,148,557	4,073,884

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

17. TRADE AND OTHER PAYABLES (continued)

- (i) Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, are as follows:

	2019 RM	2020 RM	Total RM
Group			
31 December 2019	-	1,327,934	1,327,934
31 December 2018	4,073,884	-	4,073,884
<hr/>			
Company			
31 December 2019	-	1,148,557	1,148,557
31 December 2018	4,073,884	-	4,073,884
<hr/>			

18. COMMITMENTS

- (a) Operating lease commitments

The Group and Company as a lessee

The Group and the Company had entered into non-cancellable lease agreements for factory buildings and staff housing, resulting in future rental commitments which can, subject to certain terms in the agreements, be revised periodically based on prevailing market rates.

In the previous financial year, the Group and the Company had aggregate future minimum lease commitments as follows:

	Group RM	2018 Company RM
Not later than one (1) year	2,025,807	640,700
Later than one (1) year and not later than five (5) years	3,919,475	110,430
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	5,945,282	751,130
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NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

18. COMMITMENTS (continued)

(b) Capital commitments

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Capital expenditure in respect of purchase of property, plant and equipment:				
- approved but not contracted for	53,000	4,329,000	53,000	4,329,000
- contracted but not provided for	1,203,820	931,181	1,173,120	871,941
	<u>1,256,820</u>	<u>5,260,181</u>	<u>1,226,120</u>	<u>5,200,941</u>

19. REVENUE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue from contracts with customers				
Sale of goods	766,197,738	560,476,616	777,655,210	558,742,224
Rendering of services	-	42,900	-	-
	<u>766,197,738</u>	<u>560,519,516</u>	<u>777,655,210</u>	<u>558,742,224</u>
Timing of revenue recognition				
Point in time	766,197,738	560,519,516	777,655,210	558,742,224

Sale of products and services rendered

Revenue from sale of products and services rendered are recognised at a point in time when the products has been transferred or the services has been rendered to the customer and coincides with the delivery of products and services and acceptance by customers.

There is no significant financing component in the revenue arising from sale of products and services rendered as the sales or services are made on the normal credit terms not exceeding twelve (12) months.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

20. PROFIT BEFORE TAX

Other than those disclosed elsewhere in the financial statements, profit before tax is arrived at:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
After charging:				
Auditors' remuneration:				
BDO PLT				
- Statutory audit	126,500	121,800	98,500	96,000
- Non-statutory audit	3,000	3,000	3,000	3,000
Other auditors:				
- Statutory audit	16,581	22,103	-	-
Impairment losses on trade receivables	2,640,946	-	2,638,488	-
Impairment loss on investment in a subsidiary	-	-	381,490	-
Realised loss on foreign exchange	213	340,812	-	-
Rental expense	382,278	2,429,136	382,278	1,108,144
Research and development costs	1,743,713	1,723,703	1,476,674	1,462,819
Unrealised loss on foreign exchange	2,594,430	1,691,525	2,528,540	1,142,822

And crediting:

Bad debts recovered	-	5,192	-	5,192
Dividend income	-	-	1,095,330	-
Gain on disposal of property, plant and equipment	28,270	321,720	28,270	321,720
Income distribution from short term funds	3,662,034	3,068,191	3,064,568	2,438,129
Interest income	233,427	157,618	182,511	126,876
Realised gain on foreign exchange	6,914,928	4,021,330	6,032,835	4,021,155
Rental income	3,905,518	2,321,908	3,692,027	2,321,908
Unrealised gain on foreign exchange	2,694,689	2,432,198	2,444,405	2,381,730

- (a) Dividend income is recognised when the right to receive payment is established.
- (b) Interest income is recognised as it accrues, using the effective interest method.
- (c) Rental income is recognised on a straight-line basis over the lease term of an ongoing lease.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

21. DIRECTORS' REMUNERATION

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Directors of the Company				
Executive: (Note 25)				
Director's fees	56,000	40,000	56,000	40,000
Short term employee benefits	1,030,000	921,000	1,030,000	921,000
Defined contribution plans	38,993	40,260	38,993	40,260
	1,124,993	1,001,260	1,124,993	1,001,260
Non-Executive:				
Director's fees	192,000	200,000	192,000	200,000
Short term employee benefits	118,500	113,400	118,500	113,400
	310,500	313,400	310,500	313,400
Total	1,435,493	1,314,660	1,435,493	1,314,660

Estimated monetary value of benefits-in-kind provided to the Director of the Company is RM28,000 (2018: 28,000).

22. TAX EXPENSE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current tax expense based on profit for the financial year:				
Malaysian income tax	12,490,518	8,086,028	12,479,413	8,079,637
Under/(Over)provision in prior years Malaysian income tax	517,201	(831,302)	516,786	(831,524)
	13,007,719	7,254,726	12,996,199	7,248,113

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

22. TAX EXPENSE (continued)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deferred tax (Note 16)				
Relating to origination and reversal of temporary differences	(912,362)	503,112	(828,238)	503,112
Under provision in prior years	440,794	687,390	440,794	687,390
	(471,568)	1,190,502	(387,444)	1,190,502
Total tax expense	12,536,151	8,445,228	12,608,755	8,438,615

- (a) Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated taxable profit for the fiscal year.
- (b) Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.
- (c) Numerical reconciliation between the average effective tax rate and the applicable tax rate of the Group and of the Company is as follows:

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Applicable tax rate	24.0	24.0	24.0	24.0
Tax effects in respect of:				
Different tax rate in foreign jurisdiction	0.1	0.1	-	-
Non-allowable expenses	1.3	1.9	1.6	1.6
Non-taxable income	(3.4)	(6.8)	(3.5)	(6.3)
Movement in unrecognised deferred tax assets	(0.7)	(0.1)	-	-
	21.3	19.1	22.1	19.3
Under/(Over)-provision in prior years:				
- current tax	1.0	(1.8)	1.0	(1.9)
- deferred tax	0.8	1.5	0.8	1.5
Average effective tax rate	23.1	18.8	23.9	18.9

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

22. TAX EXPENSE (continued)

(d) Tax on each component of other comprehensive income is as follows:

Group	Before tax RM	Tax effect RM	After tax RM
2019			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	(175,391)	-	(175,391)
<hr/>			
2018			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	406,347	-	406,347
<hr/>			
Company			
2019			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	4,085	-	4,085
<hr/>			
2018			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	1,070	-	1,070
<hr/>			

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

23. DIVIDENDS

	Group and Company			
	Dividend per ordinary share Sen	2019 Amount of dividend RM	Dividend per ordinary share Sen	2018 Amount of dividend RM
First interim single tier dividend in respect of financial year ended 31 December 2018/2017	10.0	24,735,827	8.0	19,788,662

On 20 February 2020, the Directors declared a first interim single tier dividend of 11.0 sen per ordinary share amounting to RM27,209,409 in respect of the financial year ended 31 December 2019 and was paid to the shareholders on 17 April 2020, whose names appeared on the Record of Depositors of the Company at the close of business on 3 April 2020.

The financial statements for financial year ended 31 December 2019 do not reflect this declared dividend. The dividend shall be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2020.

24. EARNINGS PER ORDINARY SHARE

Basic and diluted earnings per ordinary share

Basic and diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the financial year.

	2019	Group 2018
Profit for the financial year attributable to equity holders of the parent (RM)	41,750,385	36,644,338
Weighted average number of ordinary shares in issue	247,358,266	247,358,266
Basic and diluted earnings per ordinary share (sen)	16.88	14.81

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

25. EMPLOYEE BENEFITS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Salaries and allowances	104,022,342	91,235,523	91,728,625	80,398,940
Defined contribution plan	5,154,049	4,901,310	4,622,561	4,330,781
Other employee benefits	8,797,636	7,384,895	7,548,067	6,368,277
	117,974,027	103,521,728	103,899,253	91,097,998

Compensation of key management personnel

The remuneration of key management personnel during the financial year is as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Executive Directors				
Remuneration (Note 21)	1,124,993	1,001,260	1,124,993	1,001,260
Other key management personnel				
Short term employee benefits	3,815,930	3,559,301	3,815,930	3,559,301
Defined contribution plans	274,176	303,876	274,176	303,876
	4,090,106	3,863,177	4,090,106	3,863,177
Total compensation of key management personnel	5,215,099	4,864,437	5,215,099	4,864,437

26. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

26. RELATED PARTY DISCLOSURES (continued)

(a) Identities of related parties (continued)

Related parties of the Group include:

- (i) Direct and indirect subsidiaries as disclosed in Note 9 to the financial statements;
- (ii) Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include the Executive Directors of the Group;
- (iii) Wistron Corporation (“Wistron”), a major corporate shareholder of the Company.

(b) The Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Subsidiaries:				
Gross dividend income	-	-	1,095,330	-
Purchase of products	-	-	78,756,796	50,252,748
Sale of products	-	-	17,485,407	7,715,289
Related parties:				
Sale of products	189,221,346	-	189,221,346	-
Purchase of products	89,940,918	226,962	89,940,918	226,962

The related party transactions described above were carried out on agreed contractual terms and conditions and in the ordinary course of business between the related parties of the Group and the Company.

(c) Compensation of key management personnel

The key management personnel comprise the Executive Directors and other key management personnel of the Group and their remuneration during the financial year are disclosed in Note 25 to the financial statements.

(d) Material contracts

There were no material contracts, which have been entered into by the Company or its subsidiaries which involved Directors' and major shareholders' interests subsisting at the end of the financial year ended 31 December 2019 or entered into since the end of the previous financial year.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

27. CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The primary objective of the capital management of the Group is to maintain a strong capital base, good credit rating and healthy capital ratios to support its businesses and maximise its shareholders' value.

The Group manages its capital structure and makes adjustments to it, as deemed appropriate. In order to maintain or adjust the capital structure, the Group may, from time to time, adjust the dividend payout to shareholders, issue new shares and redeem debts, where necessary. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2019 and 31 December 2018.

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares, if any) and such shareholders' equity is not less than RM40.0 million. The Group has complied with this requirement for the financial year ended 31 December 2019.

The Group is not subject to any other externally imposed capital requirements.

(b) Financial risk management

The overall financial risk management objective of the Group is to optimise its shareholders' value and not to engage in speculative transactions.

The Group is exposed mainly to foreign currency risk, interest rate risk, credit risk and liquidity and cash flow risk. Information on the management of the related exposures is detailed below:

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar ("USD"). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes.

Subsidiaries operating in overseas have assets and liabilities together with expected cash flows from anticipated transactions denominated in those foreign currencies.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company will fluctuate because of changes in market interest rates. The exposure to market risk of the Group for changes in interest rates relates primarily to the short term funds and the deposits placed with licensed banks.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

27. CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

The Group is exposed mainly to foreign currency risk, interest rate risk, credit risk and liquidity and cash flow risk. Information on the management of the related exposures is detailed below (continued):

(iii) Credit risk

Exposure to credit risk arises mainly from sales made on credit terms and deposits with licensed banks. The Group controls the credit risk on sales by ensuring that its customers have sound financial position and credit history. The Group and the Company also seeks to invest cash assets safely and profitably with approved financial institutions in line with the policy of the Group.

Exposure to credit risk

At the end of each reporting period, the maximum exposure to credit risk of the Group and of the Company is represented by the carrying amount of each class of financial assets recognised in the statements of financial position. Information regarding credit enhancement for trade and other receivables is disclosed in Note 11 to the financial statements.

(iv) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

28. FINANCIAL REPORTING UPDATES

IFRIC Agenda Decision - An assessment of the lease term (IFRS 16)

The IFRS Interpretations Committee ('IFRIC') issued a final agenda decision on 26 November 2019 regarding 'Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16)'.

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group anticipates an increase in lease liabilities and corresponding right-of-use assets arising from the reassessment of the lease term of existing leasing arrangements due to this final agenda decision.

The Group is in the process of implementing the requirements of this final agenda decision and the impact upon adoption is expected to be recognised during the financial year ending 31 December 2020.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

29. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The World Health Organisation declared the 2019 Novel Coronavirus infection ('COVID-19') a pandemic on 11 March 2020. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order ('MCO') effective from 18 March 2020 to 31 March 2020 arising from COVID-19. The MCO was subsequently extended on:

- (a) 25 March 2020 for 2 weeks until 14 April 2020;
- (b) 10 April 2020 for another 2 weeks until 28 April 2020; and
- (c) 23 April 2020 for another 2 weeks until 12 May 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 *Events after the Reporting Period*. Consequently, the financial statements for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

Notwithstanding that, the Group anticipates that the effects of COVID-19, if any, would be recognised in the financial statements for the financial year ending 31 December 2020. The effects of COVID-19 would potentially impact the judgements and assumptions used in the preparation of the financial statements for the financial year ending 31 December 2020, such as expected credit losses of financial assets and impairment assessments of assets (property, plant and equipment, inventories and investments in subsidiaries).

As at the date of the authorisation of the financial statements, the COVID-19 pandemic and the MCO since 18 March 2020 have impacted the performance of the Group. In view of the lack of visibility on the end date of the COVID-19 pandemic and the MCO, the Group is not able to estimate the full potential financial impact as at the date of the authorisation of the financial statements. The Group will only recognise the financial impact in the financial statements for the financial year ending 31 December 2020.

30. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs**30.1 New MFRSs adopted during the financial year**

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

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

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 16 as described in the following sections.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

30. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)**30.1 New MFRSs adopted during the financial year (continued)****MFRS 16 Leases**

MFRS 16 supersedes MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have a material impact for leases for which the Group is the lessor.

The Group and the Company applied MFRS 16 using the modified retrospective approach, for which the right-of-use asset is equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 1 January 2019. Accordingly, the comparative information presented is not restated.

On adoption of MFRS 16, the Group and the Company recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group and of the Company as of 1 January 2019. The incremental borrowing rate of the Group and of the Company applied to the lease liabilities on 1 January 2019 was 7%.

In order to compute the transition impact of MFRS 16, a significant data extraction exercise was undertaken by management to summarise all property and equipment lease data such that the respective inputs could be uploaded into management’s model. The incremental borrowing rate method has been adopted where the implicit rate of interest in a lease is not readily determinable.

For leases previously classified as finance leases, the Group and the Company recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability respectively at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

In applying MFRS 16 for the first time, the Group and the Company have used the following practical expedients permitted by the standard:

- (a) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (b) Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019;
- (c) Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 and do not contain a purchase option as short-term leases;
- (d) Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- (e) Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

30. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

30.1 New MFRSs adopted during the financial year (continued)

MFRS 16 Leases (continued)

On transition to MFRS 16, the Group and the Company recognised right-of-use assets and lease liabilities. The impact on transition is summarised below:

Group	Note	As at 31 December 2018 RM	Impact RM	As at 1 January 2019 RM
Property, plant and equipment		111,436,012	(19,973,134)	91,462,878
Prepaid lease payments for land		16,715,666	(16,715,666)	-
Right-of-use assets	(i)	-	43,202,539	43,202,539
Lease liabilities	(ii)	-	6,513,739	6,513,739

Company

Property, plant and equipment		104,580,407	(19,973,134)	84,607,273
Right-of-use assets	(i)	-	21,814,705	21,814,705
Lease liabilities	(ii)	-	1,841,571	1,841,571

(i) The associated right-of-use assets for property leases were measured using the modified retrospective approach, for which the right-of-use asset is equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 1 January 2019. Accordingly, the comparative information presented is not restated.

(ii) Lease liabilities are measured as follows:

	Group RM	Company RM
Operating lease commitments at 31 December 2018 as disclosed under MFRS 117	5,945,282	751,130
Weighted average incremental borrowing rate as at 1 January 2019	7.0%	7.0%
Discounted operating lease commitments as at 1 January 2019	5,374,663	702,495
Extension options reasonably certain to be exercised	1,139,076	1,139,076
Lease liabilities recognised at 1 January 2019	6,513,739	1,841,571

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2019

30. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)**30.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020**

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been early adopted by the Group and the Company:

Title	Effective Date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>MFRS 17 Insurance Contracts</i>	1 January 2021
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-current</i>	1 January 2022
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for future financial years.

**ANALYSIS OF
SHAREHOLDINGS**

AS AT 30 APRIL 2020

SHARE CAPITAL

Total Number of Issued Shares : 247,358,266
 Issued & Fully Paid-Up Capital : RM124,672,999
 Class of Shares : Ordinary Shares
 Voting Rights : one vote per ordinary share

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
1 - 99 shares	22	0.405	601	0.000
100 - 1,000 shares	814	14.996	586,066	0.237
1,001 - 10,000 shares	3,312	61.017	15,788,817	6.383
10,001 - 100,000 shares	1,112	20.487	31,596,804	12.774
100,001 to less than 5% of issued shares	166	3.058	117,125,978	47.351
5% and above of issued shares	2	0.037	82,260,000	33.255
TOTAL :	5,428	100.000	247,358,266	100.000

SUBSTANTIAL SHAREHOLDERS

Name	Direct No. of Shares	Percentage	Indirect No. of Shares	Percentage
1) Wistron Corporation	69,260,000	27.999	-	-
2) Chang, Song-Hai	13,000,000	5.255	-	-
TOTAL	82,260,000	33.254	-	-

DIRECTORS' INTEREST

Name	Direct No. of Shares	Percentage	Indirect No. of Shares	Percentage
1) Shih Chao Yuan	6,000,000	2.426	2,016,000	0.815
2) Chen Ching-Sen	1,500,000	0.606	-	-
3) Leow Ing Seng (Shares held under HLB Nominees (Tempatan) Sdn Bhd)	200,000	0.081	-	-
4) Lim Chung Yin (Shares held under Affin Hwang Nominees (Tempatan) Sdn Bhd)	200,000	0.081	-	-
5) Shen Ching Yao	-	-	-	-
6) Koh Meng Ching	120,000	0.049	-	-
TOTAL	8,020,000	3.243	2,016,000	0.815

ANALYSIS OF
SHAREHOLDINGS

AS AT 30 APRIL 2020

LIST OF TOP 30 SHAREHOLDERS

Name	No. of Shares Held	Percentage
1) Wistron Corporation	69,260,000	27.999
2) Chang, Song-Hai	13,000,000	5.255
3) Cartaban Nominees (Tempatan) Sdn Bhd RHB Trustees Berhad For Manulife Investment Shariah Progressfund	7,456,800	3.015
4) Wu Swee Ngor	6,393,400	2.585
5) Shih Chao Yuan	6,000,000	2.426
6) DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Hong Leong Value Fund	5,203,700	2.104
7) Foo Khen Ling	5,050,000	2.042
8) Tan Lee Hwa	4,370,000	1.767
9) Akros Trading Malaysia Sdn Bhd	4,267,704	1.726
10) Permodalan Nasional Berhad	3,887,900	1.572
11) RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Fong Siling (CEB)	3,000,000	1.213
12) Wang, Wei-Nan	2,738,400	1.107
13) Au Yong Mun Yue	2,620,000	1.059
14) Kam Loong Mining Sdn Bhd	2,510,000	1.015
15) DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Hong Leong Dividend Fund	2,355,300	0.952
16) DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Hong Leong Consumer P Roducts Sector Fund	2,200,000	0.889
17) Shih Huang Hsiu Fang	2,016,000	0.815
18) Chang, Kei-Poi	2,010,000	0.813
19) HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chee Sai Mun	1,886,000	0.762
20) Malacca Equity Nominees (Tempatan) Sdn Bhd Exempt An For Phillip Capital Management Sdn Bhd (EPF)	1,711,600	0.692
21) DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Hong Leong Balanced Fund	1,600,000	0.647
22) Chen Ching-Sen	1,500,000	0.606
23) Lim Kok Heng	1,424,400	0.576
24) Cartaban Nominees (Asing) Sdn Bhd Exempt An For Standard Chartered Bank Singapore (EFGBHK-Asing)	1,413,000	0.571
25) Loh Kam Mooi	1,378,900	0.557
26) UOBM Nominees (Tempatan) Sdn Bhd UOB Asset Management (Malaysia) Berhad For Gibraltar BSN Aggressive Fund	1,336,100	0.540
27) Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Skyture Capital Sdn Bhd (KL C/PIV)	1,250,000	0.505
28) DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Affin Hwang Asset Management Berhad For Malaysian Timber Council (Operating Fund)	1,237,400	0.500
29) Cimb Group Nominees (Asing) Sdn Bhd Exempt An For DBS Bank Ltd (SFS)	1,214,437	0.491
30) Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chee Sai Mun (E-KLC)	1,185,300	0.479
TOTAL	161,476,341	65.280

LIST OF
PROPERTIES

Location	Description	Tenure	Valuation/ Acquisition/ Completion Date	Approximate Age of Building (Years)	Approximate Site Area (Sq.Ft)	Built-up/ Lettable Area (Sq.Ft)	Carrying Amount (RM)	Existing Use
No. 1 Lebu 1 Bandar Sultan Suleiman Taiwanese Industrial Park 42000 Port Klang Selangor Darul Ehsan	Double storey office block location at the front portion and a connecting single factory to the rear	Leasehold (99 years Expiring 30/12/2093)	May 1993	30	349,232	137,125	9,507,328	For Factories Cum Offices
No. 1 Lebu 1 Bandar Sultan Suleiman Taiwanese Industrial Park 42000 Port Klang Selangor Darul Ehsan	Single storey factory cum office (Building No. E1)	Leasehold (99 years Expiring 30/12/2093)	November 1999	30	364,951	228,822	15,884,308	For Factories Cum Offices
	Single storey factory cum office (Building No. E2)			30				
	Double storey factory cum office (Building No. E4)			29				
Plot 119C, Taman Ria Kawasan Perusahaan LPK 08000 Sungai Petani Kedah Darul Aman	Single storey factory and office block with mezzanine floor at production area	Leasehold (60 years expiring 30/12/2051)	May 1993	27	130,680	60,800	1,708,744	For Factories Cum Offices
Plot 252 Kawasan Perusahaan LPK 08000 Sungai Petani Kedah Darul Aman	Single storey factory and office block with guard house	Leasehold (60 years expiring 30/9/2051)	July 2006	27	65,340	45,085	842,735	For Factories Cum Offices
16, Bridge Road, Cirencester Gloucestershire GL1 1 NJ United Kingdom	Double storey factory block with connecting warehouse facility	Freehold	May 1995	27	43,560	14,000	2,259,129	For Warehouse Cum Offices
9F, No.36 Aly 38 Lane 358, Ruei-Guang Road Neihu District Taipei City 11492 Taiwan	Office building	Freehold	November 2009	12	-	3,336	8,291,403	For Office

LIST OF
PROPERTIES

Location	Description	Tenure	Valuation/ Acquisition/ Completion Date	Approximate Age of Building (Years)	Approximate Site Area (Sq.Ft)	Built-up/ Lettable Area (Sq.Ft)	Carrying Amount (RM)	Existing Use
Plot 236,238 & 240 Kawasan Perusahaan LPK Taman Ria Jaya 08000 Sungai Petani Kedah Darul Aman storey office	Double storey office block location at the front portion and a connecting single storey office	Leasehold (60 years expiring 31/5/2050)	August 2015	20	423,797	189,144	13,120,520	For Office Cum Factory
B278 Jalan 12 Cinta Sayang Resort Homes 08000 Sungai Petani Kedah Darul Aman	Double storey semi-detached house	Freehold	August 2015	11	3,200	3,120	507,829	For Staff Accommodation
Jalan Alauddin 5 Bandar Sultan Suleiman Kawasan Perindustrian Fasa 4 Pelabuhan Klang Utara Bandar Diraja Klang, Selangor	Vacant land	Leasehold (60 years expiring 08/06/2071)	June 2011	9	861,748	N/A	16,396,766	Vacant
No.3 Lebuhr Sultan Mohamad 2 Kawasan Perindustrian Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor Darul Ehsan	Single storey factory cum office Warehouse facility	Leasehold (99 years expiring 21/09/2093)	October 2017	29	113,079	60,891	10,481,932	For Factory and storage
74 units PKNS Apartments at Bandar Sultan Suleiman	Medium to low cost apartments	Leasehold (99 years expiring 11/07/2103)	27 May 2019	10	-	56,554	4,640,817	For Workers Accommodation

PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD

(Company No.: 198801004954 (172312-K))

(Incorporated In Malaysia)

PROXY FORM

CDS Account No.	
No. of shares held	

I/We, _____ I.C./Passport/Company No. _____

of _____

being a member of **FORMOSA PROSONIC INDUSTRIES BERHAD**, do hereby appoint _____

_____ I.C. / Passport No. _____

of _____

or failing *him/her the Chairman of the Meeting as *my/our proxy to vote for *me/us on my/our behalf at the Thirty-Second Annual General Meeting of the Company to be held at **Crown Hall, Level 1, Crystal Crown Hotel Harbour View, 217 Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan** on **Thursday, 25 June 2020** at **10.00 a.m.** and at any adjournment thereof.

My/Our proxy is to vote as indicated below:

RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		
Ordinary Resolution 9		
Ordinary Resolution 10		
Ordinary Resolution 11		

Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as *he/she thinks fit.

Signed this _____ day of _____

Signature/Common Seal of Member(s)

Contact:

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:

	No of shares	Percentage
Proxy 1	_____	%
Proxy 2	_____	%
Total		100%

Notes:

1. A Member of the Company who is entitled to attend and vote at this meeting is entitled to appoint any persons as his proxy to attend and vote instead of him.
2. A Member of the Company who is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA") may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. A Member of the Company who is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. Where a Member or an exempt authorized nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
5. A proxy need not be a Member of the Company. A proxy appointed to attend and vote shall have the same rights as the Member to speak at the meeting.
6. The appointment of a proxy may be made in hard copy form or by electronic form. The hard copy of instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its common seal or the hand of its officer or its duly authorised attorney.
7. In the case of an appointment made in hard copy form, the proxy form must be deposited with the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. In the case of electronic appointment, the proxy form must be deposited via TIIH Online at <https://tiih.online>. Please refer to the Administrative Guide for further information on electronic submission.
8. All proxy form submitted must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting or adjourned Annual General Meeting at which the person named in the appointment proposes to vote.
9. For the purpose of determining a Member who shall be entitled to attend and vote at the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 18 June 2020 and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxies to attend and vote in his stead.

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STAMP

**The Share Registrar of
FORMOSA PROSONIC INDUSTRIES BERHAD**
(Company No. 172312-K)
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

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