PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD

198801004954 (172312-K)

ANNUAL REPORT

2021

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ANNUAL GENERAL MEETING

34th

MEETING VENUE

Online Meeting Platform provided by Tricor Investing & Issuing House Services Sdn Bhd in Malaysia

DATE/TIME

Friday, 27 May 2022

10.00 a.m.

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

Huang Ying Hao
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

CORPORATE INFORMATION

JOINT COMPANY SECRETARIES

Lim Hooi Mooi
SSM PC NO. 201908000134
MAICSA 0799764

Wong Wai Foong
SSM PC NO. 202008001472
MAICSA 7001358

Lau Yen Hoon
SSM PC No. 202008002143
MAICSA 7061368

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, Lebuh 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

SHIH CHAO YUAN
Group Managing Director

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 ("FPI") for the financial year 31 December 2021 ("FY2021").

FY2021 A year in Review

Global pandemic has continued to be the dominant issue affecting all aspects of life and business in 2021 and continuing into year 2022. The said pandemic has affected the Group and all employees in life and working/living modes. But on the other hand, the Group has learned many important lessons and gained new experiences in managing the company in the past 2 years. We had to confront with lockdown restrictions and disruptions in day-to-day operations and also face unpredictable and uncertain global economic situation which has affected markets. Global components shortage issue has remained unresolved till today and is still far from over, making the situation more challenging. This components shortage is affecting manufacturers worldwide including our Group to meet orders requirement because of limited supply, longer lead times and increased prices.

As the managing director of FPI, I am sincerely grateful that the Group has great teams that are able to work under the unpredictable world economic situation and face up to these unprecedented challenges. Their persistency, resilience, capability and resourcefulness were particularly noticeable even in a difficult year. Our teams at all fronts worked tirelessly with customers, partners, government authorities and other business associations to sustain operational excellence throughout. The Group is thankful for all the supports from customers and stakeholders that had led to relatively desired outcomes and creditable performance under the turbulent year.

For FY2021, the Group reported sales of RM938.9 million, rose 22.6% from previous financial year of RM766.0 million attributable to higher sales volume and change in sales mix. Profit before tax rose even higher at 80.0% to RM124.7 million in FY2021 from RM69.3 million in the prior financial year.

Our performance in 2021 reflects the Group's astute cost management and ability to carry out swift action plans to counter operational challenges, and the Group's resiliency underpinned by its business and product diversity.

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

GROUP MANAGING DIRECTOR'S STATEMENT

Opportunity, Challenges and Outlook

Having battled the pandemic for close to two years, and as we entered 2022, the external business environment still remains full of threats, such as a sudden flare up of the pandemic, stubbornly high freight and air costs or an unexpected renewal of international trade tensions could possibly push the economy back into the standstill situation. Undeterred, the Group intends to capitalise on this opportunity with a focus to the followings:-

1. As the managing director of FPI, I pledge full attention in training and teaming up our employees to drive competency and excellence and boosting internal productivity and process semi-automation. The Group will continue to enhance our talent pool across a wide range of technical and professional qualities in response to changes in customer interactions and business operations. The Group also intends to continue to invest into selective automation that comprises automation machines, self-developed jigs and equipment, and to reengineer processes and optimise resources in order to allow the Group to reduce reliance on manpower, sustain high quality standard and strengthen our overall fundamentals.

2. Focus on sustainability in new normal. The pandemic has brought about the importance of placing sustainability within an organisation. We are not only responsible towards how we manage ourselves for the safety and well-being of others, but how businesses operate also take the attention more than ever. Social responsibility towards our employees, how we run our business operations, and our commitment to the environment - these are paramount in our customers' minds today as we transition to the new normal.

We will strive to build and strengthen our position to become the preferred partner of choice for existing or potential customers seeking the best in our industry. We are confident that we would be able to deal with the new changes in worldwide economic.

The Group anticipates this year to be a very challenging year in view of market volatility, supply chain issue, rising commodity and energy prices and labour shortage issue and barring unforeseen circumstances, the Group remains cautious in our outlook and expects to remain profitable in the coming financial year.

Delivering shareholders value with 20.0 sen dividend per share

The Board had declared a first interim single tier dividend of 20.0 sen per share amounting to RM51.05 million for FY2021 (FY2020: 14.0 sen per share or RM34.6 million) which will be paid to the shareholders on 28 April 2022. Although there is no dividend policy in place, the company has consistently paid dividends since it was listed in 1994.

Acknowledgement

The Group has withstood the headwinds in 2021 with the support of all our stakeholders. It is in the face of such adversity, that we can truly appreciate the strong team that we have built in our Group. I am thankful for the Board's leadership and guidance to move through these difficult times, as well as our management and staff's ability to take on each and every challenge in their step and respond with great care and dedication. I would also like to thank our valued customers and partners for entrusting their business needs to us continuously.

The Board would like to extend greatest appreciation to Mr Leow Ing Seng, the senior independent non-executive director, who has opted not to be re-elected as director of the Company at the forth-coming AGM of the Company. The Board wishes Mr Leow all the best in his future undertaking and endeavour.

Lastly, on behalf of the Company, directors, independent directors and all shareholders, I thank you our team members and all employees for all the hard work that you did and contributed to FPI.

Thank you.

Shih Chao Yuan
Group Managing Director

27 April 2022
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 products and components including production of wireless speakers with cutting edge functionality and seamless connectivity. This augur well for the better growth prospects of FPI.

FINANCIAL RESULTS AND POSITIONS

Performance

The pandemic situation continued to evolve all over the world in 2021. The rapid spread of infectious strains of the coronavirus has led to many parts of world reverting to lockdowns. While governments around the world work to get their populations vaccinated and gradually open borders in the hope of returning to some normality, there is no immediate fix. At our Group, responding to changes in pandemic protocols – and providing the necessary support to our customers and our employees – has also become another aspect of our business.

As a trusted contract manufacturer for products shipped to key economic regions globally, the Group has maintained a proven track record of excellence, delivering the highest quality products to our customers. Reinforcing this, the Group recorded FY2021 sales of RM938.8 million, a 22.6% growth over the last financial year of RM766.0 million, attributable to higher sales volume and change in sales mix.

The Group's business has remained resilient throughout the pandemic, a testament to its enduring strength and versatility. One of our main priorities in this fast changing world is to stay relevant and continue to offer products and services our customers want. To keep up with this, the Group continues to uphold its fundamental beliefs that are - *highest level of total customer satisfaction; building strong and united team; fostering creativity and innovation and pursuit of production excellence to enhance its competitiveness*. These will translate into 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 strength and capabilities, the Group is hopeful to be able to explore new growth opportunities that may arise.

MANAGEMENT DISCUSSION & ANALYSIS

The following table highlights the Group's financial performance for the past three financial years.

In RM'000	Year ended 31-12-2021	Year ended 31-12-2020	Year ended 31-12-2019
Sales	938,875	765,988	766,198
Profit Before Tax	124,734	69,331	54,323
Profit After Tax	96,846	52,513	41,786
EBITDA	137,034	82,042	66,950
EBITDA Margin	14.6%	10.7%	8.7%
ROE	23.3%	15.7%	13.5%
ROA	14.8%	8.9%	8.5%

The Group's sales grew 22.6% to RM938.9 million for the FY2021 attributable mainly to higher sales volume and change in sales mix. Consequently, the Group registered significantly higher earnings before interest, tax, depreciation and amortisation (EBITDA) in the FY2021 of RM137.0 million compared to RM82.0 million in the FY2020.

The Group's Return on Equity ("ROE") and Return on Assets ("ROA") increased to 23.3% (2020: 15.7%) and 14.8% (2020: 8.9%) respectively due to higher profitability as a result of the aforementioned factors.

Cost management has always been one of our main priorities. There is no short cut about it but to stay true and hands-on on all material aspects of the task whether it is in planning, executing or monitoring stage. This includes – strengthening our existing systems that monitors machine utilisation, machine downtime and overall equipment effectiveness in order to allow for optimal level of manufacturing operations – and enhancing the existing tracking systems at materials store, production and logistic areas which are crucial for monitoring of work orders progress with regard to status and completion. These systems together with Just-In-Time ("JIT") approach are designed to reduce downtime and defect issues and minimises production floor area and storage space.

We continued to improve our engagement with our employees and strengthen our leadership across our business groups. We promoted the upskilling and reskilling of our employees, where they were able to gain new expertise to help in their current roles as well as to take on different or entirely new roles. In addition, we encouraged the sharing and maximisation of knowledge within the Group including cross functional collaboration to create new ideas and value.

We reward our employees through bonuses, incentives and stock options as we believe in sharing our success with those who have worked tirelessly to contribute to the growth of the Group. In addition, we have been proactively resolving and mitigating any issue faced by our employees including delivery of essential water to them during water disruption period and disbursement of cash aids to those employees affected by floods in Klang Valley.

MANAGEMENT DISCUSSION & ANALYSIS

Financial Positions

The table below highlights the Group financial positions as of 31 December 2021.

In RM'000	Year ended 31-12-2021	Year ended 31-12-2020	Change in value
Non-current assets			
Property, plant and equipment	79,484	80,482	(998)
Right-of-use assets	45,239	38,529	6,710
Others	-	-	-
Current assets			
Inventories	89,585	49,772	39,813
Trade receivables	163,648	149,527	14,121
Cash and deposits	266,431	270,343	(3,912)
Others	9,619	3,530	6,089
Non-current liabilities			
Deferred tax	5,102	4,500	602
Lease liabilities	38	1,190	(1,152)
Current liabilities			
Trade payables	155,042	169,390	(14,348)
Lease liabilities	781	2,164	(1,383)
Tax liabilities	10,425	7,559	2,866
Others	55,812	62,167	(6,355)
Non-controlling interests	10,056	10,108	(52)
Equity attributable to shareholders	416,750	335,105	81,645
Net Asset Per Share	1.65	1.35	0.30
Cash Per Share	1.05	1.09	(0.04)
Debt / Equity Ratio (times)	N/A	N/A	N/A

The Group continued to maintain healthy balance sheet despite challenging operating environment. As at end of 2021, the Group has net cash position of RM266.4 million, a decrease of 1.4% from RM270.3 million at end of 2020 mainly attributable to higher working capital requirements as well as investment in property, plant and equipment and dividend payment. Total shareholders' funds amounted to RM416.7 million, an increase of 24.4% as compared to 31 December 2020. Book value per share was higher at RM1.65 as compared to RM1.35 at 31 December 2020, an increase of 22.2% after taking into consideration RM0.14 per share dividend pay-out.

Trade receivables increased by 9.4% to RM163.6 million from RM149.5 million in the previous year, primarily due to higher sales. Nevertheless, trade receivables turnover improved to 64 days from 70 days which was consistent with the credit terms granted. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing credit exposure.

MANAGEMENT DISCUSSION & ANALYSIS

Meanwhile, inventories increased significantly by 80.0% to RM89.6 million from RM49.8 million. This was mainly driven by higher sales, issues in supply chain particularly on shortages of components as well as sales of goods which were not shipped due to lack of shipment availability at year-end. Consequently, inventories turnover increased to 41 days from 27 days. Amid the tougher operating environment, the Group will continue to fine-tune its inventories strategy in response to changes and challenges present in the supply chain and to optimise and strengthen its inventories control systems.

Cash Flows

The table below highlights the Group's cash flows and cash flows position for the year ended 31 December 2021.

In RM'000	Year ended 31-12-2021	Year ended 31-12-2020	Change in value
Operating activities	32,560	98,616	(66,056)
Investing activities	(12,183)	(846)	(11,337)
Free cash flows[1]	20,377	97,770	(77,393)
Financing activities	(23,029)	(30,146)	7,117
Net (decrease) / increase in cash and cash equivalents	(2,653)	67,624	(70,277)
Cash and cash equivalents at end of year	266,292	270,205	(3,913)

Apart from incurring capital expenditure for the FY2021 amounted to RM22.8 million which was mainly utilised to acquire land and buildings and plant and equipment, higher working capital requirements due to higher sales have also contributed to lower cash and cash equivalents which stood at RM266.3 million as of end of 2021, a slight decrease from RM270.2 million as at end of 2020. The Group continued generating positive and healthy free cash flows.

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 semi-robotics 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. Nevertheless, such threat has always been countered by our in-house self-developed and designed new tools, jigs and equipment which have won us not only recognitions but more importantly have enabled us to remain competitive in many respects all times.

[1] *Free cash flow equals operating cash flows plus investing cash flows.*

MANAGEMENT DISCUSSION & ANALYSIS

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, as appropriate.

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.

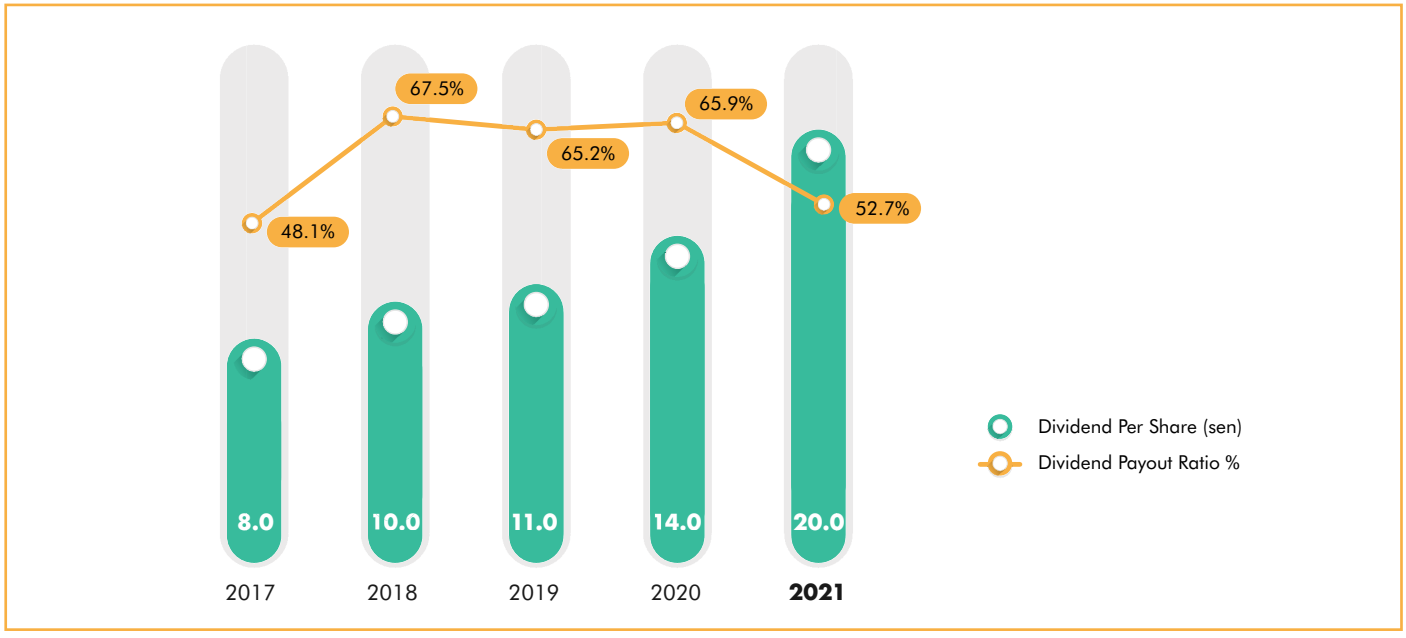
CAPITAL

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 pay-out ratio for the past five financial years.



The Board has declared a first interim single tier tax exempt dividend of 20.0 sen per share in respect of the financial year ended 31 December 2021 (FY2020: 14.0 sen). The dividend will be payable on 28 April 2022 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 8 April 2022.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Fourth Annual General Meeting ("AGM") of the Company will be conducted fully virtual and live streaming through the online meeting platform of TIIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia via its website at https://tiih.online or https://tiih.com.my (Domain registration number with MYNIC:DIA282781) on Friday, 27 May 2022 at 10.00 a.m. for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 and the Reports of the Directors and the Auditors thereon. *(Please refer to Note No. 4)*

2. To approve the payment of Directors' Fees in respect of the financial year ended 31 December 2021. **Resolution 1**

3. To approve the payment of Directors' benefits of up to RM1,200,000 for the financial period from 1 July 2022 to 30 June 2023. **Resolution 2**

4. To re-elect Mr Chen Ching Sen retiring in accordance with Clause 117 of the Constitution of the Company. **Resolution 3**

5. To re-appoint BDO PLT as the Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 4**

As Special Business

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

6. **Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016**

   "**THAT** pursuant to Sections 75 and 76 of the Companies Act 2016 ("the Act") and subject to the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and the approvals of the relevant governmental/regulatory authorities (if any), the Directors of the Company be and are hereby authorised to allot and issue shares in the Company from time to time, at such price, upon such terms and conditions and for such purposes and to such persons whomsoever as the Directors may in their absolute discretion deem fit PROVIDED THAT the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares, if any) of the Company for the time being **AND THAT** the Directors be authorised to do all such things as they may deem fit and expedient in the best interest of the Company to give effect to the issuance of new shares under this resolution including making such applications to Bursa Securities for the listing of and quotation for the additional shares so issued on Bursa Securities **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company, unless revoked or varied by an ordinary resolution of the Company at a general meeting." **Resolution 5**

NOTICE OF ANNUAL GENERAL MEETING

7. **Proposed Renewal of Authority for Share Buy-Back**

Resolution 6

"**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.

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;

NOTICE OF ANNUAL GENERAL MEETING

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.

8. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

Resolution 7

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

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

(i) the conclusion of the next 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."

NOTICE OF ANNUAL GENERAL MEETING

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

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

   Resolution 8

10. 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)
LAU YEN HOON (SSM PC No. 202008002143) (MAICSA 7061368)
Joint Company Secretaries

Kuala Lumpur
Dated: 27 April 2022

NOTES

1. The Thirty-Fourth Annual General Meeting ("AGM") of the Company will be conducted on a fully virtual basis through live streaming with online remote voting via the Remote Participation and Voting ("RPV") facilities provided by Investor & Issuing House Services Sdn Bhd. The conduct of a fully virtual 34th AGM is in line with the Revised Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers issued by Securities Commission of Malaysia. An online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act 2016 provided that the online platform is located in Malaysia and all meeting participants including Chairman of the meeting, board members, senior management and shareholders are to participate in the meeting online. Members are to attend, participate (including posing questions via real time submission of typed texts) and vote remotely at the AGM via the RPV. A member who has appointed a proxy or attorney or authorised representative to participate in this AGM via the RPV must request his/ her proxy or attorney or authorised representative to register himself/herself for RPV via TIIH Online website at https://tiih.online.

Please refer to the procedures set out in the Administrative Guide for the AGM to register, participate and vote remotely via the RPV.

2. 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 **20 May 2022** and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxy(ies) to attend and vote on his/her behalf.

3. 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 on his/her behalf.
- Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it 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.
- Where a member 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, an authorised nominee or an exempt authorized nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, otherwise the appointment shall not be valid.

NOTICE OF ANNUAL GENERAL MEETING

- A proxy may but need not be a member of the Company. A proxy appointed to attend and vote shall have the same rights as the member to move any resolution or amendment thereto and to speak at the meeting.
- The appointment of a proxy may be made in the following manner and must be received by the Company at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof:

  In hard copy form
  The proxy form must be deposited at the office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, at Unit 32- 01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

  By electronic means
  The proxy form can be electronically lodged with the Company's Share Registrar via **TIIH Online** at https://tiih.online. Please refer to the Administrative Guide for the 34th AGM on the procedures for electronic lodgement of Proxy Form via TIIH Online.
- Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Company's Share Registrar's office at the above address not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the persons named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/ or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL/CERTIFIED TRUE certificate of appointment of authorised representative with the Company's Share Registrar, Tricor at the above address. The certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by at least two (2) authorised officers, of whom one shall be a director; or any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

4. Agenda Item No. 1 - Audited Financial Statements for the Financial Year Ended 31 December 2021

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.

5. Agenda Item No. 2 & 3 - Directors' Fees and Benefits

Pursuant to Section 230(1) of the Companies Act 2016, the fees and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

The Board had at the recommendation of the Remuneration Committee agreed that the proposed Directors' fees for the financial year ended 31 December 2021 and Directors' benefits for the period from 1 July 2022 until 30 June 2023 (the due date for holding the Company's next Annual General Meeting in 2023) be tabled for shareholders' approval at the AGM. 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 AGM for the additional amount to meet the shortfall.

6. Agenda Item No. 4 - Re-election/ Retirement of Directors

Mr Chen Ching Sen, an Independent Non-Executive Director who is retiring by rotation in accordance with Clause 117 of the Constitution of the Company, is eligible and has offered himself for re-election. His profile is available on page 18 of the Company's Annual Report 2021.

The Board had at the recommendation of the Nomination Committee agreed that the re-election of the retiring Director be tabled for shareholders' approval at the AGM.

Mr. Leow Ing Seng, an Independent Non-Executive Director who is retiring by rotation in accordance with Clause 117 of the Constitution of the Company, has expressed his intention not to seek re-election as a Director of the Company. Hence, he shall hold office until the conclusion of this AGM.

NOTICE OF ANNUAL GENERAL MEETING

7. Agenda Item No. 5 - Re-appointment of Auditors

The Audit Committee had assessed the suitability, objectivity and independence of the External Auditors, BDO PLT, and satisfied that BDO PLT has met the relevant criteria prescribed under Paragraph 15.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board had at the recommendation of the Audit Committee agreed that the re-appointment of BDO PLT as Auditors of the Company be tabled for shareholders' approval at the AGM.

8. 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. 5, 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 the general mandate obtained at the last Annual General Meeting of the Company.

ii) Proposed Renewal of Authority for Share Buy-Back

The proposed Resolution No. 6, 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 AGM of the Company.

For further information, please refer to the Share Buy-Back Statement dated 27 April 2022 accompanying the Company's Annual Report for the financial year ended 31 December 2021.

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

The proposed Resolution 7 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The mandate will take effect from the date of the passing of the Ordinary Resolution until the next AGM of the Company.

For further information, please refer to the Circular to Shareholders dated 27 April 2022 accompanying the Company's Annual Report for the financial year ended 31 December 2021.

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

The proposed Resolution No. 8 is to seek shareholders' approval on the retention of Director who has served as Independent Director 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 Mr. Lim Chung Yin, the Independent Director, is objective and independent in expressing his views and in participating in deliberations and decision making of the Board and Board Committees. The length of his service on the Board does not in any way interfere with the exercise of independent judgement and his ability to act in the best interests of the Company. The Company therefore tables the proposal to retain Mr. Lim Chung Yin as an Independent Director.

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 the Thirty-Fourth 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 8(i) of the Notes to the Notice of the Thirty-Fourth Annual General Meeting.

PROFILE OF DIRECTORS

SHIH CHAO YUAN was appointed as Director and Managing Director of FPI 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 FPI Group and is responsible for its business development. Prior to joining the FPI 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 indepth 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 6,200,000 ordinary shares or 2.43% interest in the Company and 2,016,000 ordinary shares or 0.79% indirectly via his spouse.

SHIH CHAO YUAN Group Managing Director	AGED	GENDER	NATIONALITY
	66	Male	Taiwanese

CHEN CHING SEN was appointed as an Executive Director of FPI 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 FPI 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 FPI'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 0.59% interest in the Company.

CHEN CHING SEN Independent Non-Executive Director	AGED	GENDER	NATIONALITY
	68	Male	Taiwanese

PROFILE OF DIRECTORS

LIM CHUNG YIN was appointed as an Independent Non-Executive Director of FPI 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 Rumuneration Committee and Nomination Committee of the Company.

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

LIM CHUNG YIN Independent Non-Executive Director	**AGED**	**GENDER**	**NATIONALITY**
	64	Male	Malaysian

LEOW ING SENG was appointed as an Independent Non-Executive Director of FPI 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 260,000 ordinary shares or 0.10% interest in the Company.

LEOW ING SENG Senior Independent Non-Executive Director	**AGED**	**GENDER**	**NATIONALITY**
	74	Male	Malaysian

PROFILE OF DIRECTORS

HUANG YING HAO was appointed as Director of FPI on 13 Aug 2020. Mr. Huang holds a Bachelor Degree in Electronic Engineering from National Chiao Tung University, Taiwan and a Master Degree in Business Administration from National Chengchi University, Taiwan majoring in corporate strategy and marketing.

Mr. Huang has 26 years of industry experience at Acer, Realtek and Wistron Corporation. Aside experiences in-back-end AISC fabrication and venture capital. Mr. Huang has extensive product management and sales experience dealing with leading global IT companies across various marketplaces and product lines. Mr. Huang has been appointed as Vice President and Head of Wistron's Consumer and Smart Products Business Group, and devoted in growing new lot business opportunities.

Mr. Huang currently is the Vice President, Head of Consumer and Smart Products Business Group.

Mr. Huang does not hold any shares in the Company or its subsidiary companies.

HUANG YING HAO Non-Independent Non-Executive Director	**AGED**	**GENDER**	**NATIONALITY**
	53	Male	Taiwanese

KOH MENG CHING was appointed as Director of FPI 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 270,000 ordinary shares or 0.11% interest in the Company.

KOH MENG CHING Executive Director	**AGED**	**GENDER**	**NATIONALITY**
	54	Male	Malaysian

PROFILE OF DIRECTORS

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 public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

Other Directorship
None of Directors have any other direstorship in public companies and listed issuers.

PROFILE OF SENIOR MANAGEMENT

CHEONG HONG YIP

AGED	GENDER	NATIONALITY
54	Male	Malaysian

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

AGED	GENDER	NATIONALITY
53	Male	Malaysian

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

AGED	GENDER	NATIONALITY
52	Male	Malaysian

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

AGED	GENDER	NATIONALITY
52	Female	Malaysian

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

AGED	GENDER	NATIONALITY
53	Male	Taiwanese

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 WOOI

AGED	GENDER	NATIONALITY
48	Male	Malaysian

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

AGED	GENDER	NATIONALITY
45	Female	Malaysian

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.	**None**
Any family relationship with any director and/or major Shareholder.	**None**
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**

CORPORATE STRUCTURE

PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD
198801004954 (172312-K)

- 100% FORMOSA PROSONIC TECHNICS SDN BHD
  199201010890 (242393-V)
  - 100% AEROTRONIC SDN BHD
    199901003121 (478021-X)
- 100% HERACLES ENTERPISES LIMITED
  (1624074)
  - 100% FORMOSA PROSONIC TECHNOLOGY SDN BHD
    201101007035 (935173-V)
- 100% FORMOSA PROSONIC MANUFACTURING SDN BHD
  199001009263 (200835-W)
- 100% ENERGISTIC SDN BHD
  200001024022 (526630-P)
- 100% ACOUSTIC ENERGY LIMITED
  02120930
  (The company was dissolved on 22 February 2022)

SUSTAINABILITY STATEMENT

"With sustainability at our core, Formosa Prosonic Industries Berhad ("FPI or the Company") and its subsidiary companies are firmly committed to continue building on our strong foundation of responsible business. 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 while bringing positive impact to 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:

Roles:

Develop and monitor Group strategies and policies

- Ensure consistent implementation of sustainability practices and standards
- Raising sustainability practices awareness amongst employees
- Continues stakeholders' engagement

SUSTAINABILITY STATEMENT

The scope of this sustainability reporting encompasses the following key operations within FPI in Malaysia that covers from 1 January 2021 to 31 December 2021:

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

Stakeholders' Expectation

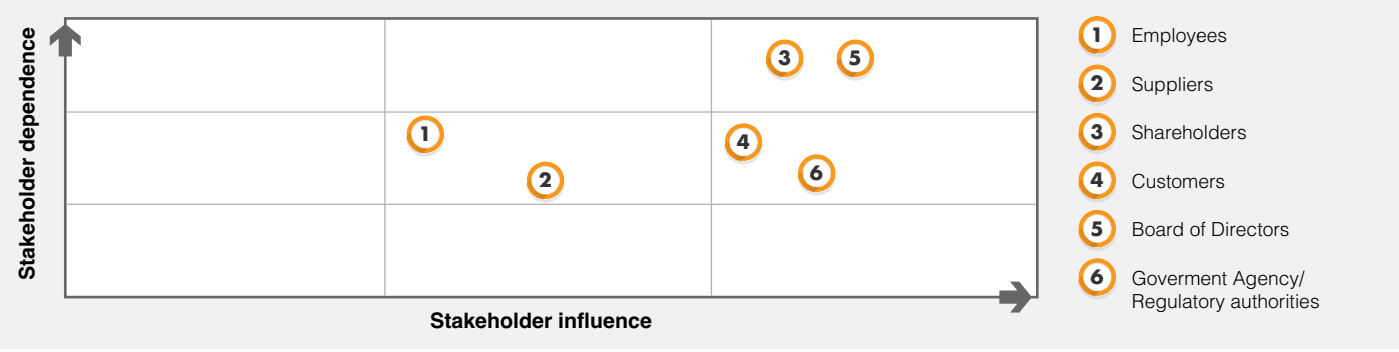
In the pursuit of sustainability, we believe managing stakeholders' expectation is important in the conduct of business. We continuously reach out to them in order to appreciate their concerns and to obtain feedback on our jobs so we could improve on. It also provides opportunities for future potential 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	• Board and Board Committees Meetings • Annual General Meetings • Company organised events	• Company strategy and performance • Sustainable practices • Risk Management • Corporate governance	• Reporting and presentation • Site visits
Major Shareholders	• Board representative • Annual General Meetings	• Financial performance • Dividend • Share performance	• Reporting and presentation
Customers	• Face to face and virtual meetings • Customer audits • Feedback survey	• Delivery and quality • Capacity and business operations • Engineering capabilities • Tactical and competitive sourcing	• Reporting and presentation • Site visits

SUSTAINABILITY STATEMENT

Stakeholder	Channel for Engagement	Area of Interest	Responses
Suppliers	• Face to face and virtual meetings • Supplier audits • Evaluation	• Terms of payment • Supply contract • Strategic alliance	• Assessment reports • Site visits
Employees	• Induction training • Learning and development programmes • Performance appraisal • Company organised events	• Career development opportunities • Remuneration package • Occupational safety and health	• Human resource practises • Mark to market and competitive remuneration package
Government agency / regulatory authorities	• Ongoing interaction • Formal and informal meetings	• Labour and manufacturing issues and policies • Compliance • Product Safety compliance • Occupational safety and health • Environment and social impact	• Compliance and good practises • Constructive interactions

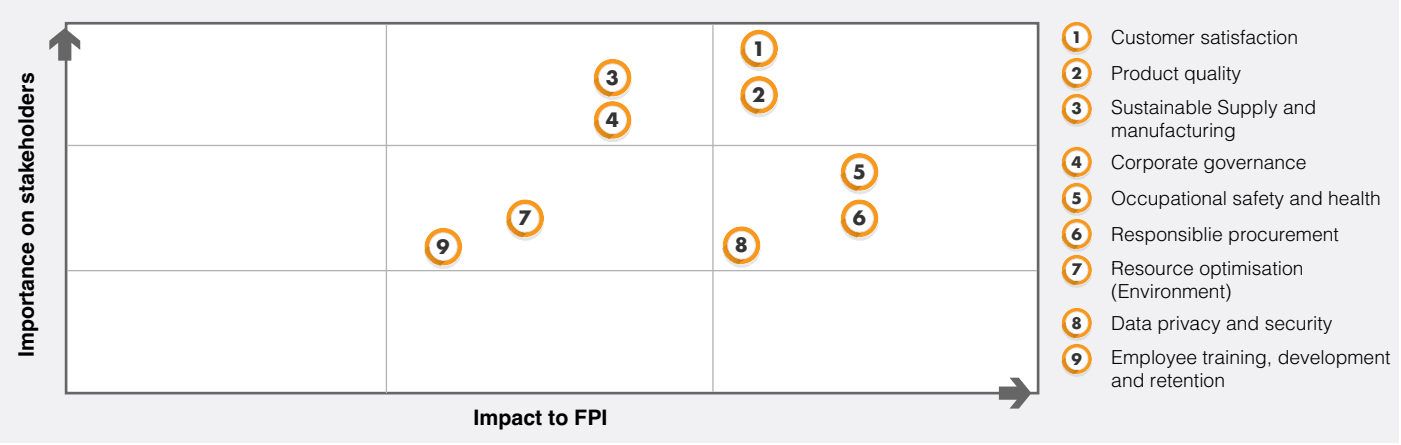
In order to further enhance our stakeholder engagement initiatives, an assessment had been carried out to prioritise the following stakeholders based on the level of their influence and dependence on FPI.



Material Sustainability Matters

We are taking a progressive approach in our sustainability reporting. We continue engagement with 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.

Stakeholder	Policy	Activities	Performance Indicators
Customer satisfaction	• To create good sound and quality products • Customers always come first	• Offering integrated products and services • Early involvement by developing capacity to assist customers • Quick, flexible and corrective action plan to every enquiry/audit finding	• Customer satisfaction survey • Passing the audits conducted by our customers • Number of complaints received • Sales uptrend over the years
Product quality	• Lasting commitment to product excellence • Continuous research and development	• Best practices throughout design/planning, production and delivery stages • Product safety compliance and security management • Education and Training • ISO 9001 : 2015	• Defect rate • Number of complaints received • Award recognition

SUSTAINABILITY STATEMENT

Stakeholder	Policy	Activities	Performance Indicators
Sustainable supply and manufacturing	One-stop solution manufacturing	• Lean manufacturing programmes to reduce wastage sources from over-processing, cycle time, waiting time, logistic handling and defects • ISO 14001:2015 • Implementation of 5S workplace to maximise efficiency and effectiveness • Tactical investment in new machines and automation	• Defect and wastage rates. • Competency Persons • Production lead time
Responsible procurement	Our efforts are centred upon upholding fair and ethical procurement practices, diligent screening and assessment of supply chain performance and advocating responsible sourcing of raw materials	• Suppliers' qualification and requalification evaluation • Adhere to Restriction of Hazardous Substances ("RoHS") • Plant qualification audit and process control audit	Assessment report
Occupational safety and health ("OSH")	• OSH procedures • COVID-19 pandemic standard operating procedures ("SOP")	• 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	• Occupational injury and illness tracking and reporting • Monitoring and measuring cleanliness of toilet, canteen facilities and eating environment. • Competency Safety Officer

SUSTAINABILITY STATEMENT

Stakeholder	Policy	Activities	Performance Indicators
Occupational safety and health ("OSH") (Con't)		• 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 government departments and police • Strictly adhere to COVID-19 related administrative guidelines and measures (SOP) issued by the authorities • Initiated corporate prevention and containment contingency plans in response to the COVID-19 outbreak	
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	• BOD meetings • Management meetings • Risk Management • Regulatory compliance • Information security and personal information protection	

SUSTAINABILITY STATEMENT

Stakeholder	Policy	Activities	Performance Indicators
Employee training, development and retention	• 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	• 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	• Relevant training programmes • Fair and diversified employment practices[1] • 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	• ISO 14001 : 2015 certification and implementation • Material waste reduction/recovery systems under 5S • 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	• Energy consumption and efficiency[2] • Water consumption and efficiency[3] • Waste reduce and recycle

[1] *Please refer to Appendix for Diversity disclosure(Table 1)*
[2] *Electricity usage data for the past three years are shown in Appendix (Table 2)*
[3] *Water consumption data for the past three years are shown in Appendix (Table 3)*

SUSTAINABILITY STATEMENT

Stakeholder	Policy	Activities	Performance Indicators
Data Privacy and Security	Personal Data Protection Policy	• 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

Conclusion

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.

APPENDIX

Table 1

Diversity table	2021 Directors	2021 Staff	2020 Directors	2020 Staff
Breakdown by Gender				
Male	6	1802	6	2417
Female	-	1008	-	1024
Total	**6**	**2810**	**6**	**3441**
Breakdown by Age Group				
< 30	-	1354	-	1843
30 - 50	-	1262	-	1398
> 50	6	194	6	200
Total	**6**	**2810**	**6**	**3441**
Breakdown by Ethnicity				
Malay	-	416	-	453
Chinese	3	222	3	250
Indian	-	182	-	233
Japanese	-	9	-	15
Taiwanese	3	5	3	4
Bangladeshi	-	944	-	1081
Indonesian	-	175	-	281
Myanmese	-	437	-	524
Nepalese	-	406	-	568
Pakistanese	-	11	-	24
Vietnamese	-	-	-	5
Siamese	-	3	-	3
Total	6	2810	6	3441

Table 2

Electricity Usage	**FY2021**	**FY2020**	**FY2019**
Revenue (RM'000)	938,875	765,988	766,198
Electricity Voltage ('000 kw)	24,159	23,966	24,082
Electricity Value (RM'000)	9,336	9,828	10,383

Table 3

Water Consumption	**FY2021**	**FY2020**	**FY2019**
Revenue (RM'000)	938,875	765,988	766,198
Cubic Meter ('000 m3)	81	94	102
Value (RM'000)	151	169	185

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
(CONTINUED)

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (continued)

1.2 Board Policy

The Group has adopted a Board Policy which governs how the Group conducts its affairs. The Board Policy 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 Policy entails, inter alia, the following main items:-

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

The Board Policy is to be periodically reviewed by the Board as and when required. A full copy of the Board Policy 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 32 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
(CONTINUED)

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. STRENGHTEN 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
(CONTINUED)

2. STRENGHTEN 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 or from other sources 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 and Board Committees, 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;
(e) deliberated on the findings of the assessments and reported the findings to the Board; and
(f) discussed on Directors' training needs.

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
(CONTINUED)

2. STRENGHTEN 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 2021, the remuneration of the Directors of the Company are as follows:-

	Fees RM	Total Emoluments RM	Benefits In-Kind RM	Remuneration RM
Executive Directors	80,000	2,564,160	43,500	2,687,660
Non-Executive Directors	160,000	462,000	-	622,000
	240,000	3,026,160	43,500	3,309,660

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	-
	Huang Ying Hao	-
RM500,000 - RM2,000,000	-	Shih Chao Yuan
	-	Koh Meng Ching

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONTINUED)

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.

For the financial year 2021, the Board had tabled the proposals to retain Mr Leow Ing Seng and Mr Lim Chung Yin who had served for more than 9 years as Independent Directors for shareholders' approval at the Annual General Meeting of the Company held on 29 June 2021.

Mr Leow Ing Seng who is subject to retirement by rotation in accordance with the Constitution of the Company has opted not to be re-elected as a Director of the Company at the forthcoming Annual General Meeting. The Board takes cognisant of the tenure limit for Independent Directors as recommended under the MCCG and as announced by Bursa Malaysia Securities Berhad on 19 January 2022. However as the Company would need time to source for suitable new Independent Directors, the Board would table the proposal to retain Mr Lim Chung Yin at the forthcoming Annual General Meeting of the Company.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONTINUED)

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 2021, four (4) 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.

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	4	4
Chen Ching Sen	4	4
Leow Ing Seng	4	4
Lim Chung Yin	4	4
Koh Meng Ching	4	4
Huang Ying Hao	4	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.

In addition, during the financial year 2021 Mr Lim Chung Yin has successfully completed an Executive Education Programme - Private Equity, organised by the Imperial College of Business School.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONTINUED)

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 FY2021, the Audit Committee has assessed 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 FY2021, 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, audit independence and transparency report 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 2022. The Board has in turn, has recommended the same for shareholders' approval at the forthcoming AGM of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONTINUED)

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 2021 were RM143,193 and RM27,000 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 unit 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
(CONTINUED)

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. STRENGHTEN 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.

OTHER INFORMATION

Utilisation of Proceeds
Save for the conversion of options under the Employees' Share Option Scheme of the Company details of which are set out below, 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 RM27,000 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 2021 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 27 to the financial statements.

Employees' Share Option Scheme ("ESOS")
At an Extraordinary General Meeting held on 29 June 2021, the Company's shareholders approved the establishment of an ESOS for eligible Directors and employees of the Group.

The ESOS is administered by the ESOS committee which is appointed by the Board of Directors in accordance with the Bye-Laws of the ESOS. The ESOS shall be in force for a period of five (5) years commencing from 20 August 2021 and further extended for a period of five (5) years.

(a) According to the register of the options, the number of schemes currently in existence during the financial year were as follows:

Total Number of Options Granted	Total Number of Options Exercised	Total Number Options Lapsed *	Total Number of of Options Outstanding
13,326,500	5,525,400	54,000	7,747,100

* Due to resignation

(b) The total number of options granted to the Directors and Senior Management, and outstanding options during the financial year were as follows:

Descriptions	Directors	Senior Management
Total Number of Options Granted	1,200,000	3,480,000
Total Number of Options Exercised	260,000	853,000
Total Number of Options Outstanding	940,000	2,627,000

(c) Percentage of options granted to Directors and Senior Management under the ESOS are as follows:

	Since commencement up to 31 Dec 2021
(i) Aggregate maximum allocation	50.00%
(ii) Actual percentage granted and accepted	34.70%

(d) The interest of the Directors during the financial year were as follows:

Name of Directors	Granted	Exercised
Shih Chao Yuan	200,000	-
Chen Ching Sen	200,000	-
Leow Ing Seng	200,000	160,000
Lim Chung Yin	200,000	-
Huang Ying Hao	200,000	-
Koh Meng Ching	200,000	100,000

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 2021, 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
(CONTINUED)

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.

FPI 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.

- **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.

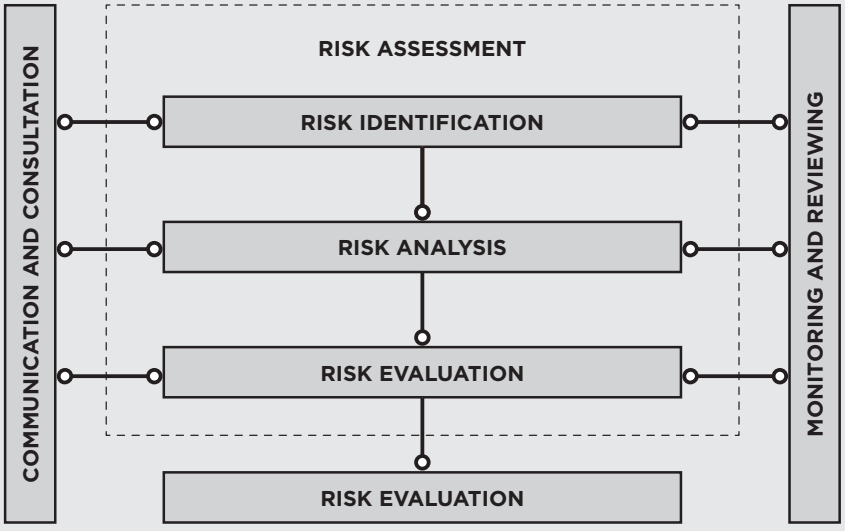
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(CONTINUED)

RISK MANAGEMENT FRAMEWORK (continued)

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
(CONTINUED)

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.

- As part of its preparation for compliance with Section 17A of the Malaysian Anti-Corruption Commission ("MACC") Act 2009 (Amendment 2018), the Group has to put in place an Anti-Bribery and Corruption Management policies and a compliance, monitoring and reporting for the Group.

- Assessed the impact of Covid-19 pandemic on the Group's business operations and put in place the relevant Standard Operating Procedures across the business activities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(CONTINUED)

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.

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 2021. 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(CONTINUED)

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 22 April 2022.

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 2021.

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
(CONTINUED)

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 three (3) 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
(CONTINUED)

MEETINGS

The Audit Committee met four (4) times during the financial year ended 31 December 2021. Details of attendance are as follows:-

Leow Ing Seng 4/4, Lim Chung Yin 4/4 and Chen Ching Sen 4/4.

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2021, 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 2021 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 22 April 2022.

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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 2021.

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 8 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	96,845,653	88,800,234
Attributable to:		
Owners of the parent	96,897,498	88,800,234
Non-controlling interests	(51,845)	-
	96,845,653	88,800,234

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 2020:	
First interim single tier dividend of 14.0 sen per ordinary share, paid on 19 April 2021	34,630,157

On 24 February 2022, the Directors declared a first interim single tier dividend of 20.0 sen per ordinary share in respect of the financial year ended 31 December 2021 and to be paid to the shareholders on 28 April 2022, whose names appeared on the Record of Depositors of the Company at the close of business on 8 April 2022.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2021.

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT
(CONTINUED)

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary shares of the Company was increased from 247,358,266 to 252,883,666 by way of issuance of 5,525,400 new ordinary shares pursuant to options exercised under the Employees' Share Option Scheme ("ESOS") at exercise price of RM2.55 per ordinary share for cash totaling of RM14,089,770.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. There were no other issues of shares during the financial year.

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

EMPLOYEES' SHARE OPTION SCHEME

An Employees' Share Option Scheme ("ESOS") was established on 29 June 2021 for the benefit of the eligible employees and Directors of the Group.

On 20 August 2021, the Company offered a total of 13,421,500 share options at an option price of RM2.55 per ordinary share to the Eligible Persons (as defined below) of the Group in accordance with the By-Laws of the ESOS out of which 13,326,500 share options were accepted by the Eligible Persons. As at 31 December 2021, the number of outstanding share options was 7,747,100.

The salient features of the ESOS are as follows:

a) Maximum number of shares available under the ESOS

The maximum number of new ordinary shares in the Company ("FPI Shares"), which may be granted under the ESOS shall not in aggregate exceed ten percent (10%) of the issued share capital (excluding treasury shares, if any) of the Company at any point of time throughout the duration of the ESOS.

b) Eligibility

Employee of the Group (excluding dormant subsidiaries)

Subject to the discretion of the committee appointed by the Board to administer the ESOS ("ESOS Committee"), any employee of the Group shall be eligible to participate in the ESOS if, as at the date of the Offer ("Offer Date"), the employee:

i. has attained at least eighteen (18) years of age;

ii. is not an undischarged bankrupt and is not subject to any bankruptcy proceedings;

iii. is confirmed in writing and has been in employment of the Group for a period of at least six (6) months of continued service prior to and up to the Offer Date, including service during the probationary period; and

iv. fulfils any other criteria and/or falls within such category as may be determined by the ESOS Committee from time to time.

DIRECTORS' REPORT
(CONTINUED)

EMPLOYEES' SHARE OPTION SCHEME (continued)

b) Eligibility (continued)

Director of the Group

Subject to the discretion of ESOS Committee, any Director of the Group shall be eligible to participate in the ESOS if, as at Offer Date, the Director:

i. has attained at least eighteen (18) years of age;

ii. is not an undischarged bankrupt and is not subject to any bankruptcy proceedings;

iii. has been appointed as a Director (and not as an alternate director) of a company within the Group for a period of at least six (6) months;

iv. the specific allocation of Options to such Director under the ESOS must have been approved by the Shareholders at a general meeting and he/she is not prohibited or disallowed by the relevant authorities or laws from participating in the ESOS; and

v. fulfils any other criteria and/or falls within such category as may be determined by the ESOS Committee from time to time.

(The eligible employees (including Director) above are hereinafter referred to as "Eligible Person(s)")

c) Maximum allowable allotment and basis of allocation

Subject to any adjustment which may be made under the By-Laws, the maximum number of new FPI Shares that may be offered under the ESOS shall be at the sole and absolute discretion of the ESOS Committee after taking into consideration, amongst others, the Eligible Person's position, performance, length of service and seniority in the Group respectively, or such other matters which the ESOS Committee may in its discretion deem fit subject to the following:

i. the Eligible Person does not participate in the deliberation or discussion in respect of their own allocation and the allocations to any persons connected with them; and

ii. the number of new FPI Shares allotted to any Eligible Person, who either singularly or collectively through person connected with him/her [as defined under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities")], holds twenty percent (20%) or more of the issued capital of the Company, shall not exceed ten percent (10%) of the total number of new FPI Shares to be issued under the ESOS, provided always that it is in accordance with any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other requirements of the relevant authorities and as amended from time to time.

d) Exercise price

Following the implementation of the Companies Act 2016 in Malaysia, the exercise price shall be based on the five (5)-day volume weighted average market price of FPI Shares, as quoted on Bursa Securities, immediately preceding the Offer Date, with a discount of not more than ten percent (10%) or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the ESOS.

DIRECTORS' REPORT
(CONTINUED)

EMPLOYEES' SHARE OPTION SCHEME (continued)

e) Duration and termination of the ESOS

i. The ESOS came into force on 20 August 2021 ("Effective Date") and shall be for a duration of five (5) years. On or before the expiry of the ESOS Period ("Date of Expiry"), the ESOS may be extended at the sole and absolute discretion of the Board upon recommendation of the ESOS Committee, without having to obtain approval from the shareholders of the Group in a general meeting, for a further period of up to five (5) years commencing from the date after the Date of Expiry.

ii. The ESOS may be terminated by the Company at any time before the expiry of its duration provided that the Company makes an announcement immediately to Bursa Securities. The announcement shall include:

- the effective date of termination;
- the number of options exercised or shares vested, if applicable; and
- the reasons and justification for termination.

iii. Approval or consent of the shareholders of the Company by way of a resolution in a general meeting and written consent of grantees who have yet to exercise their options and/or vest the unvested shares (if applicable) are not required to effect a termination of the ESOS.

f) Exercise of option

Options are exercisable commencing from the Offer Date and expiring at the end of five (5) years from the Effective Date or in the event of a termination of the ESOS, the date of termination of the ESOS.

g) Ranking of the new FPI Shares

The new FPI Shares to be allotted and issued upon any exercise of the option shall, upon allotment and issuance, rank pari passu in all respects with the existing issued and paid-up FPI Shares, save and except that the holders of the new FPI Shares shall not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid to the shareholders of the Company, where the entitlement date precedes the date of allotment of the said shares. The options shall not carry any right to vote at a general meeting of the Company until and unless options are exercised into FPI Shares.

The movements of the options over the unissued ordinary shares in the Company granted under the ESOS during the financial year were as follows:

		← Number of options over ordinary shares →				
Option price	**Date of offer**	**As at 1.1.2021**	**Granted and accepted**	**Exercised**	**Lapsed***	**As at 31.12.2021**
RM2.55	20 August 2021	-	13,326,500	(5,525,400)	(54,000)	7,747,100
		-	13,326,500	(5,525,400)	(54,000)	7,747,100

* Due to resignation.

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 apart from the issue of options pursuant to the ESOS.

DIRECTORS' REPORT
(CONTINUED)

OPTIONS GRANTED OVER UNISSUED SHARES (continued)

At the Extraordinary General Meeting of the Company held on 29 June 2021, shareholders of the Company approved the establishment of an ESOS of up to ten per centum (10%) of the issued and paid-up capital (excluding treasury shares, if any) of the Company for the eligible Directors and employees of the Group.

Salient features and other terms of the ESOS are disclosed in Note 26 to the financial statements.

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
Shih Chao Yuan
Koh Meng Ching
Huang Ying Hao

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' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and options over ordinary shares in the Company and of its related corporations during the financial year ended 31 December 2021 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:

	← Number of ordinary shares →			
Shares in the Company	**Balance as at 1.1.2021**	**Bought**	**Sold**	**Balance as at 31.12.2021**
Direct interests:				
Shih Chao Yuan	6,000,000	-	-	6,000,000
Chen Ching Sen	1,500,000	-	-	1,500,000
Leow Ing Seng	200,000	160,000	(100,000)	260,000
Lim Chung Yin	200,000	-	-	200,000
Koh Meng Ching	120,000	150,000	-	270,000
Deemed interest:				
Shih Chao Yuan #	2,016,000	-	-	2,016,000

DIRECTORS' REPORT
(CONTINUED)

DIRECTORS' INTERESTS (continued)

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and options over ordinary shares in the Company and of its related corporations during the financial year ended 31 December 2021 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 (continued):

	← Number of options over ordinary shares →			
Shares in the Company	**Balance as at 1.1.2021**	**Granted**	**Exercised**	**Balance as at 31.12.2021**
Direct interests:				
Shih Chao Yuan	-	200,000	-	200,000
Chen Ching Sen	-	200,000	-	200,000
Leow Ing Seng	-	200,000	(160,000)	40,000
Lim Chung Yin	-	200,000	-	200,000
Koh Meng Ching	-	200,000	(100,000)	100,000
Huang, Ying-Hao	-	200,000	-	200,000

Held through spouse

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 except for any benefits which may be deemed to have arisen by virtue of the significant related party transactions as disclosed in Note 27 to the financial statements.

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 except for the share options granted pursuant to the ESOS disclosed in Note 26 to the financial statements.

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 RM12,100.

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

DIRECTORS' REPORT
(CONTINUED)

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 satisfied themselves that all known bad debts had been 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 render the amounts written off for bad debts or 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.

(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.

DIRECTORS' REPORT
(CONTINUED)

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant events during the financial year and subsequent to the end of the reporting period are 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 2021 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
22 April 2022

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 67 to 125 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 2021 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

Chen Ching Sen
Director

Port Klang
22 April 2022

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 67 to 125 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)
22 April 2022)

Chong Lien Kieung

Before me:

Mardhiyyah Abdul Wahab
No. W729
Pesuruhjaya Sumpah Malaysia
Suite 9-03, Tingkat 9
Menara Raja Laut
No. 288, Jalan Raja Laut
50350 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FORMOSA PROSONIC INDUSTRIES BERHAD (INCORPORATED IN MALAYSIA)

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 2021 of the Group and of the Company, and the statements of profit or loss and other 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 67 to 125.

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 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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 2021 amounted to RM89,584,520 and RM79,264,538 respectively of which RM2,506,422 and RM2,041,399 are stated at net realisable value as disclosed in Note 9 to the financial statements.

We have determined this to be a key audit matter due to judgements made by management in their assessment of the current selling prices and future demand to evaluate the adequacy of write down of the inventories to their net realisable values, incorporating the impact of the COVID-19 pandemic.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FORMOSA PROSONIC INDUSTRIES BERHAD (INCORPORATED IN MALAYSIA) (CONTINUED)

Key Audit Matters (continued)

Audit response

Our audit procedures included the following:

(i) Obtained an understanding of the process implemented by management over the determination of lower of cost and net realisable value used in the valuation of inventories;

(ii) Analysed inventories turnover period by comparing that to the assessment of management on the identification of slow moving inventories; and

(iii) Assessed the appropriateness of inventories written down and written back by verifying selling prices subsequent to the end of the reporting period.

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 (INCORPORATED IN MALAYSIA) (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, actions taken to eliminate threats or safeguards applied.

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 (INCORPORATED IN MALAYSIA) (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 8 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

Ng Soe Kei
02982/08/2023 J
Chartered Accountant

Kuala Lumpur
22 April 2022

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	79,483,787	80,482,146	71,621,756	77,485,277
Right-of-use assets	6	45,238,968	38,528,669	19,744,035	20,216,288
Intangible assets	7	-	-	-	-
Investments in subsidiaries	8	-	-	45,483,794	45,483,794
		124,722,755	119,010,815	136,849,585	143,185,359
Current assets					
Inventories	9	89,584,520	49,771,656	79,264,538	43,446,580
Trade and other receivables	10	172,956,037	152,311,021	171,690,407	157,110,485
Current tax assets		310,478	746,158	-	-
Short term funds	11	160,235,290	217,241,102	142,649,873	199,982,764
Cash and bank balances	12	106,196,337	53,101,736	97,959,409	49,852,077
		529,282,662	473,171,673	491,564,227	450,391,906
TOTAL ASSETS		654,005,417	592,182,488	628,413,812	593,577,265
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	13	141,359,707	124,672,999	141,359,707	124,672,999
Reserves	14	275,389,860	210,431,791	231,052,550	173,178,315
		416,749,567	335,104,790	372,412,257	297,851,314
Non-controlling interests	8(c)	10,056,523	10,108,368	-	-
TOTAL EQUITY		426,806,090	345,213,158	372,412,257	297,851,314

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021 (CONTINUED)

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
EQUITY AND LIABILITIES (continued)					
LIABILITIES					
Non-current liabilities					
Lease liabilities	6	37,936	1,189,557	37,936	64,964
Deferred tax liabilities	15	5,101,563	4,500,428	4,950,736	4,272,341
		5,139,499	5,689,985	4,988,672	4,337,305
Current liabilities					
Trade and other payables	16	210,853,401	231,556,898	239,806,456	282,932,152
Lease liabilities	6	781,287	2,163,573	781,287	897,620
Current tax liabilities		10,425,140	7,558,874	10,425,140	7,558,874
		222,059,828	241,279,345	251,012,883	291,388,646
TOTAL LIABILITIES		227,199,327	246,969,330	256,001,555	295,725,951
TOTAL EQUITY AND LIABILITIES		654,005,417	592,182,488	628,413,812	593,577,265

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 2021

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Revenue	18	938,874,783	765,988,354	965,805,690	777,979,973
Cost of sales		(800,596,250)	(675,454,645)	(835,296,433)	(694,648,775)
Gross profit		138,278,533	90,533,709	130,509,257	83,331,198
Other income		27,613,103	14,621,571	20,532,245	13,546,516
Distribution costs		(19,073,661)	(16,127,861)	(17,468,792)	(14,969,383)
Administrative expenses		(17,428,680)	(12,270,996)	(16,070,647)	(11,214,807)
Other expenses		(4,064,151)	(8,820,641)	(3,648,865)	(7,594,693)
Finance costs		(211,408)	(347,224)	(109,482)	(136,617)
Net (losses)/gains on impairment of financial assets	19	(379,632)	1,742,926	1,241,152	1,742,806
Profit before tax	20	124,734,104	69,331,484	114,984,868	64,705,020
Tax expense	22	(27,888,451)	(16,818,705)	(26,184,634)	(16,631,329)
Profit for the financial year		96,845,653	52,512,779	88,800,234	48,073,691
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations		(975,789)	(173,935)	37,641	30,185
Total other comprehensive (loss)/income, net of tax		(975,789)	(173,935)	37,641	30,185
Total comprehensive income for the financial year		95,869,864	52,338,844	88,837,875	48,103,876

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Profit attributable to:					
Owners of the parent		96,897,498	52,520,804	88,800,234	48,073,691
Non-controlling interests	8(c)	(51,845)	(8,025)	-	-
		96,845,653	52,512,779	88,800,234	48,073,691
Total comprehensive income attributable to:					
Owners of the parent		95,921,709	52,346,869	88,837,875	48,103,876
Non-controlling interests	8(c)	(51,845)	(8,025)	-	-
		95,869,864	52,338,844	88,837,875	48,103,876
Earnings per ordinary share attributable to equity holders of the Company:					
- Basic earnings per ordinary share (sen)	24	39.03	21.23		
- Diluted earnings per ordinary share (sen)	24	38.61	21.23		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Group	Note	Share capital RM	Capital reserve RM	Share options reserve RM	Exchange translation reserve RM	Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
Balance as at 1 January 2021		124,672,999	1,259,157	-	1,528,736	207,643,898	335,104,790	10,108,368	345,213,158
Profit for the financial year		-	-	-	-	96,897,498	96,897,498	(51,845)	96,845,653
Other comprehensive loss, net of tax		-	-	-	(975,789)	-	(975,789)	-	(975,789)
Total comprehensive income		-	-	-	(975,789)	96,897,498	95,921,709	(51,845)	95,869,864
Transactions with owners									
Dividend paid	23	-	-	-	-	(34,630,157)	(34,630,157)	-	(34,630,157)
Share options granted under ESOS		-	-	6,263,455	-	-	6,263,455	-	6,263,455
Ordinary shares issued pursuant to ESOS	13	16,686,708	-	(2,596,938)	-	-	14,089,770	-	14,089,770
Share options lapsed		-	-	(25,380)	-	25,380	-	-	-
Total transactions with owners		16,686,708	-	3,641,137	-	(34,604,777)	(14,276,932)	-	(14,276,932)
Balance as at 31 December 2021		141,359,707	1,259,157	3,641,137	552,947	269,936,619	416,749,567	10,056,523	426,806,090

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Group	Note	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	Total equity RM
Balance as at 1 January 2020		124,672,999	1,259,157	6,211,518	177,823,656	309,967,330	10,116,393	320,083,723
Profit for the financial year		-	-	-	52,520,804	52,520,804	(8,025)	52,512,779
Other comprehensive loss, net of tax		-	-	(4,682,782)	4,508,847	(173,935)	-	(173,935)
Total comprehensive income		-	-	(4,682,782)	57,029,651	52,346,869	(8,025)	52,338,844
Transaction with owners								
Dividend paid	23	-	-	-	(27,209,409)	(27,209,409)	-	(27,209,409)
Total transaction with owners		-	-	-	(27,209,409)	(27,209,409)	-	(27,209,409)
Balance as at 31 December 2020		124,672,999	1,259,157	1,528,736	207,643,898	335,104,790	10,108,368	345,213,158

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Company	Note	Share capital RM	Share options reserve RM	Exchange translation reserve RM	Retained earnings RM	Total equity RM
Balance as at 1 January 2020		124,672,999	-	485,121	151,798,727	276,956,847
Profit for the financial year		-	-	-	48,073,691	48,073,691
Other comprehensive income, net of tax		-	-	30,185	-	30,185
Total comprehensive income		-	-	30,185	48,073,691	48,103,876
Transaction with owners						
Dividend paid	23	-	-	-	(27,209,409)	(27,209,409)
Total transaction with owners		-	-	-	(27,209,409)	(27,209,409)
Balance as at 31 December 2020/ 1 January 2021		124,672,999	-	515,306	172,663,009	297,851,314
Profit for the financial year		-	-	-	88,800,234	88,800,234
Other comprehensive income, net of tax		-	-	37,641	-	37,641
Total comprehensive income		-	-	37,641	88,800,234	88,837,875
Transactions with owners						
Dividend paid	23	-	-	-	(34,630,157)	(34,630,157)
Share options granted under ESOS		-	6,263,455	-	-	6,263,455
Ordinary shares issued pursuant to ESOS	13	16,686,708	(2,596,938)	-	-	14,089,770
Share options lapsed		-	(25,380)	-	25,380	-
Total transactions with owners		16,686,708	3,641,137	-	(34,604,777)	(14,276,932)
Balance as at 31 December 2021		141,359,707	3,641,137	552,947	226,858,466	372,412,257

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		124,734,104	69,331,484	114,984,868	64,705,020
Adjustments for:					
Depreciation of property, plant and equipment	5	11,258,044	12,069,061	10,903,836	11,819,709
Depreciation of right-of-use assets	6	2,985,405	3,346,314	1,718,462	1,808,588
Gain on disposal of property, plant and equipment		(5,635,573)	-	(59,097)	-
Impairment losses on trade receivables	10(f)	379,632	366,581	378,577	366,581
Income distribution from short term funds		(2,080,332)	(2,934,288)	(1,753,252)	(2,502,178)
Interest expense on lease liabilities		142,156	277,968	44,459	73,468
Interest income		(74,894)	(117,917)	(63,094)	(110,697)
Inventories written down	9(c)	617,279	349,604	539,896	284,353
Net unrealised (gain)/loss on foreign exchange		(95,007)	217,139	(136,340)	460,651
Reversal of impairment losses on:					
- trade receivables	10(f)	-	(2,109,507)	-	(2,109,387)
- amount owing by a subsidiary	10(f)	-	-	(1,619,729)	-
Gain on reassessments and modifications of leases	6(d)	(112,895)	-	(2,494)	-
Share options granted under ESOS		6,263,455	-	6,263,455	-
Operating profit before working capital changes		138,381,374	80,796,439	131,199,547	74,796,108
Changes in working capital:					
Inventories		(40,429,499)	(2,658,639)	(36,357,210)	(887,380)
Trade and other receivables		(20,418,977)	(40,011,010)	(12,757,045)	(40,357,726)
Trade and other payables		(20,987,776)	75,940,174	(43,375,898)	79,331,018
Cash generated from operations		56,545,122	114,066,964	38,709,394	112,882,020
Tax paid, net of refund		(23,985,370)	(15,451,332)	(22,639,973)	(15,438,579)
Net cash from operating activities		32,559,752	98,615,632	16,069,421	97,443,441

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Advances to subsidiaries		-	-	-	(14,662)
Income distribution from short term funds		2,080,332	2,934,288	1,753,252	2,502,178
Interest received		74,894	117,917	63,094	110,697
Placement of deposits placed with licensed banks with original maturity of more than three (3) months		(2,542)	(4,134)	-	-
Proceeds from disposal of property, plant and equipment		8,462,302	-	555,001	-
Purchase of:					
- property, plant and equipment	5	(13,028,278)	(3,894,275)	(5,536,219)	(3,702,691)
- right-of-use assets	6	(9,769,890)	-	-	-
Net cash used in investing activities		(12,183,182)	(846,204)	(3,164,872)	(1,104,478)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to ordinary shareholders of the Company	23	(34,630,157)	(27,209,409)	(34,630,157)	(27,209,409)
Payments of lease liabilities		(2,488,982)	(2,936,429)	(1,431,535)	(1,551,321)
Proceeds from ordinary shares issued pursuant to ESOS exercised	13(a)	14,089,770	-	14,089,770	-
Net cash used in financing activities		(23,029,369)	(30,145,838)	(21,971,922)	(28,760,730)
Net (decrease)/increase in cash and cash equivalents		(2,652,799)	67,623,590	(9,067,373)	67,578,233
Cash and cash equivalents at beginning of financial year		270,205,447	203,562,644	249,834,841	183,233,982
Effects of exchange rate changes on cash and cash equivalents		(1,260,954)	(980,787)	(158,186)	(977,374)
Cash and cash equivalents at end of financial year	12(d)	266,291,694	270,205,447	240,609,282	249,834,841

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities (Note 6)	
	Group	**Company**
	RM	**RM**
At 1 January 2020	5,063,386	1,492,232
Non-cash flows		
- Accretion of interest expense	277,968	73,468
- Addition of lease liabilities	981,858	981,858
- Modification of lease arising from termination	(33,653)	(33,653)
Cash flows		
- Repayments	(2,936,429)	(1,551,321)
At 31 December 2020/1 January 2021	3,353,130	962,584
Non-cash flows		
- Accretion of interest expense	142,156	44,459
- Addition of lease liabilities	1,459,437	1,459,437
- Modification of lease arising from termination	(1,646,518)	(215,722)
Cash flows		
- Repayments	(2,488,982)	(1,431,535)
At 31 December 2021	819,223	819,223

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

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, Lebuh 1, Bandar Sultan Suleiman, Taiwanese Industrial Park, 42000 Port Klang, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 31 December 2021 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 22 April 2022.

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 8 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 67 to 125 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 30.1 to the financial statements.

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 2021 (CONTINUED)

4. OPERATING SEGMENTS

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

The Group has arrived at two (2) (2020: 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.

2021	**Malaysia RM**	**United Kingdom RM**	**Total RM**
Revenue			
Total revenue	1,072,401,773	-	1,072,401,773
Inter-segment revenue	(133,526,990)	-	(133,526,990)
Revenue from external customers	938,874,783	-	938,874,783
Operating profit/(loss)	110,624,510	(382,897)	110,241,613
Gain on disposal of property, plant and equipment	64,097	5,571,476	5,635,573
Income distribution from short term funds	2,080,332	-	2,080,332
Interest income	74,877	17	74,894
Net exchange gain on unrealised foreign exchange	95,007	-	95,007
Net exchange gain on realised foreign exchange	11,900,627	969,513	12,870,140
Share options granted under ESOS	(6,263,455)		(6,263,455)
Segment profit before tax	118,575,995	6,158,109	124,734,104

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

4. OPERATING SEGMENTS (continued)

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

2021	Malaysia RM	United Kingdom RM	Total RM
Assets			
Segment assets	653,694,939	-	653,694,939
Liabilities			
Segment liabilities	211,672,624	-	211,672,624
Other information			
Capital expenditure	22,798,168	-	22,798,168
Depreciation of property, plant and equipment	11,258,044	-	11,258,044
Depreciation of right-of-use assets	2,985,405	-	2,985,405
Impairment losses on trade receivables	379,632	-	379,632
Inventories written down	617,279	-	617,279

2020	Malaysia RM	United Kingdom RM	Total RM
Revenue			
Total revenue	857,753,739	-	857,753,739
Inter-segment revenue	(91,765,385)	-	(91,765,385)
Revenue from external customers	765,988,354	-	765,988,354
Operating profit/(loss)	63,557,891	(52,691)	63,505,200
Income distribution from short term funds	2,934,288	-	2,934,288
Interest income	117,418	499	117,917
Net exchange (loss)/ gain on unrealised foreign exchange	(437,119)	219,980	(217,139)
Net exchange gain on realised foreign exchange	2,991,218	-	2,991,218
Segment profit before tax	69,163,696	167,788	69,331,484

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

4. OPERATING SEGMENTS (continued)

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

2020	**Malaysia RM**	**United Kingdom RM**	**Total RM**
Assets			
Segment assets	588,679,972	2,756,358	591,436,330
Liabilities			
Segment liabilities	233,794,064	1,115,964	234,910,028
Other information			
Capital expenditure	3,894,275	-	3,894,275
Depreciation of property, plant and equipment	12,035,601	33,460	12,069,061
Depreciation of right-of-use assets	3,346,314	-	3,346,314
Impairment losses on trade receivables	366,581	-	366,581
Reversal of impairment losses on trade receivables	(2,109,507)	-	(2,109,507)
Inventories written down	349,604	-	349,604

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

	2021 RM	**2020 RM**
Profit for the financial year		
Total profit for reportable segments	124,734,104	69,331,484
Income tax expense	(27,888,451)	(16,818,705)
Profit for the financial year	96,845,653	52,512,779

	2021 RM	**2020 RM**
Assets		
Total assets for reportable segments	653,694,939	591,436,330
Current tax assets	310,478	746,158
Assets of the Group	654,005,417	592,182,488
Liabilities		
Total liabilities for reportable segments	211,672,624	234,910,028
Deferred tax liabilities	5,101,563	4,500,428
Current tax liabilities	10,425,140	7,558,874
Liabilities of the Group	227,199,327	246,969,330

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

4. OPERATING SEGMENTS (continued)

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.

(a) Revenue from external customers

	2021 RM	2020 RM
Malaysia	938,874,783	765,988,354

(b) Non-current assets

	2021 RM	2020 RM
Malaysia	124,722,755	116,738,126
United Kingdom	-	2,272,689
	124,722,755	119,010,815

Major customers

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

	Revenue	
	2021	2020
- Customer A	44.1%	36.6%
- Customer B	27.8%	29.0%
- Customer C	21.4%	27.7%
	93.3%	93.3%

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2021 RM	Additions RM	Disposals RM	Depreciation charge for the financial year RM	Exchange differences RM	Balance as at 31.12.2021 RM
Carrying amount						
Freehold land and buildings	2,272,689	-	(2,330,825)	-	58,136	-
Freehold land	5,975,870	-	-	-	-	5,975,870
Buildings	37,502,657	7,374,110	(495,904)	(1,928,846)	-	42,452,017
Plant and machinery	28,422,633	5,495,491	-	(7,238,868)	-	26,679,256
Motor vehicles	353,605	-	-	(141,970)	-	211,635
Furniture, fittings and equipment	993,075	32,677	-	(517,126)	-	508,626
Renovations	4,454,170	72,000	-	(1,276,019)	-	3,250,151
Electrical installations	507,447	54,000	-	(155,215)	-	406,232
	80,482,146	13,028,278	(2,826,729)	(11,258,044)	58,136	79,483,787

	At 31.12.2021		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	5,975,870	-	5,975,870
Buildings	63,010,152	(20,558,135)	42,452,017
Plant and machinery	99,873,875	(73,194,619)	26,679,256
Motor vehicles	1,258,996	(1,047,361)	211,635
Furniture, fittings and equipment	5,136,826	(4,628,200)	508,626
Renovations	15,263,517	(12,013,366)	3,250,151
Electrical installations	5,271,490	(4,865,258)	406,232
	195,790,726	(116,306,939)	79,483,787

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Balance as at 1.1.2020 RM	Additions RM	Depreciation charge for the financial year RM	Exchange differences RM	Balance as at 31.12.2020 RM
Carrying amount					
Freehold land and buildings	2,259,129	-	(33,460)	47,020	2,272,689
Freehold land	5,975,870	-	-	-	5,975,870
Buildings	39,382,528	-	(1,879,871)	-	37,502,657
Plant and machinery	32,746,454	3,312,233	(7,636,054)	-	28,422,633
Motor vehicles	579,089	-	(225,484)	-	353,605
Furniture, fittings and equipment	1,250,486	531,482	(788,893)	-	993,075
Renovations	5,754,815	4,500	(1,305,145)	-	4,454,170
Electrical installations	661,541	46,060	(200,154)	-	507,447
	88,609,912	3,894,275	(12,069,061)	47,020	80,482,146

	At 31.12.2020		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land and buildings	2,745,225	(472,536)	2,272,689
Freehold land	5,975,870	-	5,975,870
Buildings	56,196,542	(18,693,885)	37,502,657
Plant and machinery	94,623,372	(66,200,739)	28,422,633
Motor vehicles	1,561,609	(1,208,004)	353,605
Furniture, fittings and equipment	5,448,835	(4,455,760)	993,075
Renovations	15,191,517	(10,737,347)	4,454,170
Electrical installations	5,217,490	(4,710,043)	507,447
	186,960,460	(106,478,314)	80,482,146

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	**Balance as at 1.1.2021 RM**	**Additions RM**	**Disposals RM**	**Depreciation charge for the financial year RM**	**Balance as at 31.12.2021 RM**
Carrying amount					
Freehold land	5,975,870	-	-	-	5,975,870
Buildings	37,502,657	-	(495,904)	(1,855,105)	35,151,648
Plant and machinery	27,785,527	5,380,442	-	(6,960,738)	26,205,231
Motor vehicles	273,724	-	-	(141,970)	131,754
Furniture, fittings and equipment	1,029,797	29,777	-	(514,789)	544,785
Renovations	4,430,002	72,000	-	(1,276,019)	3,225,983
Electrical installations	487,700	54,000	-	(155,215)	386,485
	77,485,277	5,536,219	(495,904)	(10,903,836)	71,621,756

	← At 31.12.2021 →		
	Cost RM	**Accumulated depreciation RM**	**Carrying amount RM**
Freehold land	5,975,870	-	5,975,870
Buildings	54,095,968	(18,944,320)	35,151,648
Plant and machinery	82,817,021	(56,611,790)	26,205,231
Motor vehicles	1,267,288	(1,135,534)	131,754
Furniture, fittings and equipment	5,140,184	(4,595,399)	544,785
Renovations	15,105,428	(11,879,445)	3,225,983
Electrical installations	3,656,690	(3,270,205)	386,485
	168,058,449	(96,436,693)	71,621,756

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Balance as at 1.1.2020 RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 31.12.2020 RM
Carrying amount				
Freehold land	5,975,870	-	-	5,975,870
Buildings	39,382,528	-	(1,879,871)	37,502,657
Plant and machinery	32,087,120	3,124,349	(7,425,942)	27,785,527
Motor vehicles	499,208	-	(225,484)	273,724
Furniture, fittings and equipment	1,285,128	527,782	(783,113)	1,029,797
Renovations	5,730,647	4,500	(1,305,145)	4,430,002
Electrical installations	641,794	46,060	(200,154)	487,700
	85,602,295	3,702,691	(11,819,709)	77,485,277

	At 31.12.2020		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	5,975,870	-	5,975,870
Buildings	54,656,468	(17,153,811)	37,502,657
Plant and machinery	77,626,377	(49,840,850)	27,785,527
Motor vehicles	1,267,288	(993,564)	273,724
Furniture, fittings and equipment	5,343,971	(4,314,174)	1,029,797
Renovations	15,033,428	(10,603,426)	4,430,002
Electrical installations	3,602,690	(3,114,990)	487,700
	163,506,092	(86,020,815)	77,485,277

(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:

Freehold land and buildings	2%
Buildings	2% - 10%
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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

6. LEASES

The Group as lessee

Right-of-use assets **Carrying amount**	**Balance as at 1.1.2021 RM**	**Additions RM**	**Depreciation RM**	**Modification of lease* RM**	**Balance as at 31.12.2021 RM**
Leasehold land	35,359,168	9,769,890	(698,739)	-	44,430,319
Buildings	3,169,501	1,459,437	(2,286,666)	(1,533,623)	808,649
	38,528,669	11,229,327	(2,985,405)	(1,533,623)	45,238,968

Carrying amount	**Balance as at 1.1.2020 RM**	**Additions RM**	**Depreciation RM**	**Modification of lease* RM**	**Balance as at 31.12.2020 RM**
Leasehold land	36,023,984	-	(664,816)	-	35,359,168
Buildings	4,902,794	981,858	(2,681,498)	(33,653)	3,169,501
	40,926,778	981,858	(3,346,314)	(33,653)	38,528,669

Lease liabilities **Carrying amount**	**Balance as at 1.1.2021 RM**	**Additions RM**	**Lease payments RM**	**Interest expense RM**	**Modification of lease* RM**	**Balance as at 31.12.2021 RM**
Buildings	3,353,130	1,459,437	(2,488,982)	142,156	(1,646,518)	819,223

Carrying amount	**Balance as at 1.1.2020 RM**	**Additions RM**	**Lease payments RM**	**Interest expense RM**	**Modification of lease* RM**	**Balance as at 31.12.2020 RM**
Buildings	5,063,386	981,858	(2,936,429)	277,968	(33,653)	3,353,130

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

6. LEASES (continued)

The Company as lessee

Right-of-use assets Carrying amount	Balance as at 1.1.2021 RM	Additions RM	Depreciation RM	Modification of lease* RM	Balance as at 31.12.2021 RM
Leasehold land	19,281,302	-	(345,916)	-	18,935,386
Buildings	934,986	1,459,437	(1,372,546)	(213,228)	808,649
	20,216,288	1,459,437	(1,718,462)	(213,228)	19,744,035

Carrying amount	Balance as at 1.1.2020 RM	Additions RM	Depreciation RM	Modification of lease* RM	Balance as at 31.12.2020 RM
Leasehold land	19,627,218	-	(345,916)	-	19,281,302
Buildings	1,449,453	981,858	(1,462,672)	(33,653)	934,986
	21,076,671	981,858	(1,808,588)	(33,653)	20,216,288

Lease liabilities Carrying amount	Balance as at 1.1.2021 RM	Additions RM	Lease payments RM	Interest expense RM	Modification of lease* RM	Balance as at 31.12.2021 RM
Buildings	962,584	1,459,437	(1,431,535)	44,459	(215,722)	819,223

Carrying amount	Balance as at 1.1.2020 RM	Additions RM	Lease payments RM	Interest expense RM	Modification of lease* RM	Balance as at 31.12.2020 RM
Buildings	1,492,232	981,858	(1,551,321)	73,468	(33,653)	962,584

* Modification of lease arising from termination.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONTINUED)

6. LEASES (continued)

	Group		Company	
Represented by:	**2021 RM**	**2020 RM**	**2021 RM**	**2020 RM**
Current liabilities	781,287	2,163,573	781,287	897,620
Non-current liabilities	37,936	1,189,557	37,936	64,964
	819,223	3,353,130	819,223	962,584
Lease liabilities owing to non-financial institutions	819,223	3,353,130	819,223	962,584

(a) The Group leases a number of properties in the location which it operates. The property leases the periodic rent is fixed over the lease term.

(b) 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

(c) The Group and the Company have certain leases of buildings with lease term of twelve (12) months or less. The Group and the Company apply the “short-term lease” exemption for these leases.

(d) The following are the amounts recognised in profit or loss:

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Depreciation charge of right-of-use assets	2,985,405	3,346,314	1,718,462	1,808,588
Interest expense on lease liabilities	142,156	277,968	44,459	73,468
Gain on reassessments and modifications of leases	(112,895)	-	(2,494)	-
Rental expense relating to short term leases	-	44,057	-	40,360
	3,014,666	3,668,339	1,760,427	1,922,416

(e) At the end of the financial year, the Group and the Company had total cash outflows for leases of RM2,488,982 (2020: RM2,936,429) and RM1,431,535 (2020: RM1,551,321) respectively.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

6. LEASES (continued)

(f) 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.

Management exercises significant judgement in determining the incremental borrowing rates whenever the implicit rates of interest in a lease are not readily determinable as well as the lease terms. The incremental borrowing rates used are based on prevailing market borrowing rates over similar lease terms, of similar value as the right-of-use asset in a similar economic environment. Lease terms are based on management expectations driven by prevailing market conditions and past experience in exercising similar renewal and termination options.

(g) 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:

Group **31 December 2021**	**Weighted average incremental borrowing rate per annum %**	**Within 1 year RM**	**1 - 2 years RM**	**Total RM**
Lease liabilities				
Fixed rates	5%	781,287	37,936	819,223
31 December 2020				
Lease liabilities				
Fixed rates	5.75% - 7.00%	2,163,573	1,189,557	3,353,130
Company				
31 December 2021				
Lease liabilities				
Fixed rates	5%	781,287	37,936	819,223
31 December 2020				
Lease liabilities				
Fixed rates	5.75%	897,620	64,964	962,584

(h) Sensitivity analysis for fixed rate lease liabilities at the end of the reporting period is not presented as the fixed rate instruments are not affected by changes in interest rates.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

6. LEASES (continued)

(i) 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:

Group	**On demand or within one year RM**	**One to two years RM**	**Total RM**
31 December 2021			
Lease liabilities	794,940	38,440	833,380
31 December 2020			
Lease liabilities	2,307,177	1,219,976	3,527,153

Company	**On demand or within one year RM**	**One to two years RM**	**Total RM**
31 December 2021			
Lease liabilities	794,940	38,440	833,380
31 December 2020			
Lease liabilities	922,070	65,720	987,790

The Group and Company as lessor

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

	Group and Company	
	2021 RM	**2020 RM**
Not later than one (1) year	2,330,174	2,542,008
Later than one (1) year and not later than five (5) years	-	2,330,174
	2,330,174	4,872,182

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

7. INTANGIBLE ASSETS

Group	Cost RM	Accumulated amortisation and impairment RM	Carrying amount RM
At 31 December 2021			
Computer software	1,318,124	(1,318,124)	-
At 31 December 2020			
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.

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2021 RM	2020 RM
Unquoted shares, at cost	52,373,220	52,373,220
Less: Impairment losses	(6,889,426)	(6,889,426)
	45,483,794	45,483,794

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

8. INVESTMENTS IN SUBSIDIARIES (continued)

(b) Details of the subsidiaries are as follows:

Name of company	Country of incorporation/ Principal place of business	Interest in equity held by Company 2021 %	Company 2020 %	Subsidiaries 2021 %	Subsidiaries 2020 %	Principal activities
Formosa Prosonic Manufacturing Sdn. Bhd.	Malaysia	100	100	-	-	Inactive
Acoustic Energy Limited#	United Kingdom	100	100	-	-	Dormant
Energistic Sdn. Bhd.	Malaysia	100	100	-	-	Ceased operations
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
Subsidiary of Formosa Prosonic Technics Sdn. Bhd.						
Aerotronic Sdn. Bhd.	Malaysia	-	-	100	100	Inactive

* Subsidiaries not audited by BDO PLT.

\# The company has been struck off and dissolved on 22 February 2022. The striking off of this subsidiary will not have material effect to the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

8. INVESTMENTS IN SUBSIDIARIES (continued)

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

2021	Heracles Enterprises Limited RM
NCI percentage of ownership interest and voting interest	30.00%
Carrying amount of NCI (RM)	10,056,523
Loss allocated to NCI (RM)	(51,845)
Total comprehensive loss allocated to NCI (RM)	(51,845)
2020	
NCI percentage of ownership interest and voting interest	30.00%
Carrying amount of NCI (RM)	10,108,368
Loss allocated to NCI (RM)	(8,025)
Total comprehensive loss allocated to NCI (RM)	(8,025)

(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:

2021	Heracles Enterprises Limited RM
Assets and liabilities	
Non-current assets	15,758,966
Current assets	17,815,862
Current liabilities	(54,296)
Net assets	33,520,532

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

8. 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):

2021	**Heracles Enterprises Limited RM**
Results	
Revenue	-
Loss for the financial year	(172,818)
Total comprehensive loss	(172,818)
Cash flows used in operating activities	(179,633)
Cash flows from investing activities	325,715
Net increase in cash and cash equivalents	146,082

2020	**Heracles Enterprises Limited RM**
Assets and liabilities	
Non-current assets	16,077,866
Current assets	17,669,780
Current liabilities	(54,296)
Net assets	33,693,350
Results	
Revenue	-
Loss for the financial year	(26,752)
Total comprehensive loss	(26,752)
Cash flows used in operating activities	(138,802)
Cash flows from investing activities	430,280
Net increase in cash and cash equivalents	291,478

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

9. INVENTORIES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
At cost				
Raw materials	51,214,986	26,848,096	42,083,366	22,133,850
Work-in-progress	11,458,981	8,426,787	11,099,779	7,802,518
Finished goods	24,404,131	13,105,516	24,039,994	12,375,961
	87,078,098	48,380,399	77,223,139	42,312,329
At net realisable value				
Work-in-progress	102,599	2,290	102,599	2,290
Finished goods	2,403,823	1,388,967	1,938,800	1,131,961
	2,506,422	1,391,257	2,041,399	1,134,251
	89,584,520	49,771,656	79,264,538	43,446,580

(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 RM645,488,680 (2020: RM526,922,715) and RM700,069,002 (2020: RM564,338,513) respectively. In addition, the amounts recognised in the cost of sales include:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Inventories written down	617,279	349,604	539,896	284,353

The Group and the Company 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 2021 (CONTINUED)

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Trade receivables				
Third parties	147,882,039	109,390,643	147,058,982	108,842,127
Amount owing by a related party	17,256,603	41,247,341	17,256,603	41,247,341
Amounts owing by subsidiaries	-	-	-	11,502,195
	165,138,642	150,637,984	164,315,585	161,591,663
Less: Impairment losses				
- Third parties	(1,490,664)	(1,111,032)	(1,329,159)	(950,582)
- Amounts owing by subsidiaries	-	-	-	(6,206,813)
	163,647,978	149,526,952	162,986,426	154,434,268
Other receivables				
Other receivables	1,673,436	966,061	1,453,293	1,471,429
Deposits	1,118,237	1,207,011	1,107,837	992,877
	2,791,673	2,173,072	2,561,130	2,464,306
Total receivables	166,439,651	151,700,024	165,547,556	156,898,574
Prepayments				
Prepayments	6,516,386	610,997	6,142,851	211,911
	172,956,037	152,311,021	171,690,407	157,110,485

(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 (2020: 30 to 90 days). They are recognised at their original invoices amounts, which represent their fair values on initial recognition.

(c) In the previous financial year, trade amounts owing by subsidiaries were subject to normal trade credit terms of 30 to 90 days.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

10. 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	
	2021 RM	2020 RM	2021 RM	2020 RM
Ringgit Malaysia	16,484,668	58,817,106	16,247,658	58,827,815
United States Dollar	149,954,983	92,874,629	149,286,178	97,989,915
Pound Sterling	-	8,289	-	-
New Taiwan Dollar	-	-	13,720	80,844
	166,439,651	151,700,024	165,547,556	156,898,574

(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 and the Company 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 and the Company'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 and the Company's customers. The Group and the Company have 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 net losses/(gains) on impairment of financial assets 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 2021 (CONTINUED)

10. TRADE AND OTHER RECEIVABLES (continued)

(e) (continued)

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

Group	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total RM
31 December 2021					
Expected loss rate	0.5%	0.7%	2.3%	61.7%	
Gross carrying amount (RM)	79,200,222	67,775,135	17,875,178	288,107	165,138,642
Impairment (RM)	396,127	502,650	414,068	177,819	1,490,664
31 December 2020					
Expected loss rate	0.5%	0.5%	2.4%	60.0%	
Gross carrying amount (RM)	73,846,938	71,114,486	5,307,818	368,742	150,637,984
Impairment (RM)	379,457	382,921	127,574	221,080	1,111,032
Company					
31 December 2021					
Expected loss rate	0.5%	0.7%	2.3%	13.7%	
Gross carrying amount (RM)	78,577,949	67,718,743	17,875,178	143,715	164,315,585
Impairment (RM)	392,890	502,650	413,912	19,707	1,329,159
31 December 2020					
Expected loss rate	0.5%	0.5%	2.4%	21.9%	
Gross carrying amount (RM)	73,429,233	71,064,557	5,307,818	287,860	150,089,468
Impairment (RM)	377,368	382,672	127,574	62,968	950,582

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

10. TRADE AND OTHER RECEIVABLES (continued)

(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
2021			
At 1 January 2021	952,920	158,112	1,111,032
Charge for the financial year	379,632	-	379,632
At 31 December 2021	1,332,552	158,112	1,490,664
2020			
At 1 January 2020	586,459	2,267,499	2,853,958
Charge for the financial year	366,581	-	366,581
Reversal of impairment losses	(120)	(2,109,387)	(2,109,507)
At 31 December 2020	952,920	158,112	1,111,032
Company			
2021			
At 1 January 2021	950,582	6,206,813	7,157,395
Charge for the financial year	378,577	-	378,577
Reversal of impairment losses	-	(1,619,729)	(1,619,729)
Written off	-	(4,587,084)	(4,587,084)
At 31 December 2021	1,329,159	-	1,329,159
2020			
At 1 January 2020	584,001	8,316,200	8,900,201
Charge for the financial year	366,581	-	366,581
Reversal of impairment losses	-	(2,109,387)	(2,109,387)
At 31 December 2020	950,582	6,206,813	7,157,395

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONTINUED)

10. TRADE AND OTHER RECEIVABLES (continued)

(f) (continued)

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 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:

- 90.7% (2020: 95.0%) of the trade receivables of the Group were due from 3 major customers, who are multi-industry conglomerates.
- 91.0% (2020: 92.0%) of the trade receivables of the Company were due from 3 major customers, who are multi-industry conglomerates.
- In the previous financial year, 3.4% of the trade and other receivables of the Company were amounts due from subsidiaries.

(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	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Effects of foreign currencies strengthen by 3% against RM				
Profit after tax	3,418,974	2,117,731	3,404,038	2,236,013

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

11. 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 1 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	
	2021 RM	2020 RM	2021 RM	2020 RM
Ringgit Malaysia	110,237,193	167,529,880	92,651,776	150,271,542
United States Dollar	49,998,097	49,711,222	49,998,097	49,711,222
	160,235,290	217,241,102	142,649,873	199,982,764

(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	
	2021 RM	2020 RM	2021 RM	2020 RM
Effects of foreign currencies strengthen by 3% against RM				
Profit after tax	1,139,957	1,133,416	1,139,957	1,133,416

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

12. CASH AND BANK BALANCES

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Cash and bank balances	43,011,404	33,064,345	34,914,409	30,852,077
Deposits with licensed banks	63,184,933	20,037,391	63,045,000	19,000,000
	106,196,337	53,101,736	97,959,409	49,852,077

(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 0.07% (2020: 1.64%) and with a maturity period ranging from 3 days to 256 days (2020: 4 days to 256 days).

(c) Sensitivity analysis for fixed rate deposits with licensed banks at the end of the reporting period is not presented as the fixed rate instruments are not affected by changes in interest rates.

(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	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Cash and bank balances	43,011,404	33,064,345	34,914,409	30,852,077
Deposits with licensed banks	63,184,933	20,037,391	63,045,000	19,000,000
Short term funds (Note 11)	160,235,290	217,241,102	142,649,873	199,982,764
	266,431,627	270,342,838	240,609,282	249,834,841
Less:				
Deposits placed with licensed banks with original maturity of more than three (3) months	(139,933)	(137,391)	-	-
	266,291,694	270,205,447	240,609,282	249,834,841

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

12. CASH AND BANK BALANCES (continued)

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Ringgit Malaysia	22,931,653	31,331,386	17,091,691	28,877,059
United States Dollar	74,735,831	20,352,332	72,429,938	20,170,335
Chinese Renminbi	187,372	217,230	96,299	78,193
Japanese Yen	4,557	4,905	4,557	4,905
Singapore Dollar	99	97	99	97
New Taiwan Dollar	755,756	721,488	755,756	721,488
Pound Sterling	7,581,069	474,298	7,581,069	-
	106,196,337	53,101,736	97,959,409	49,852,077

(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	
	2021 RM	2020 RM	2021 RM	2020 RM
Effects of foreign currencies strengthen by 3% against RM				
Profit after tax	1,898,435	496,364	1,843,784	478,230

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

13. SHARE CAPITAL

	Group and Company			
	2021		2020	
Issued and fully paid with no par value	**Number of shares**	**RM**	**Number of shares**	**RM**
Balance as at 1 January	247,358,266	124,672,999	247,358,266	124,672,999
Issuance of ordinary shares pursuant to ESOS exercised	5,525,400	16,686,708	-	-
Balance as at 31 December	252,883,666	141,359,707	247,358,266	124,672,999

(a) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 247,358,266 ordinary shares to 252,883,666 ordinary shares by way of issuance of 5,525,400 new ordinary shares pursuant to options exercised under the Employees' Share Option Scheme ("ESOS") at exercise price of RM2.55 per ordinary share for cash totalling of RM14,089,770.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

(b) 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.

14. RESERVES

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Capital reserve	1,259,157	1,259,157	-	-
Exchange translation reserve	552,947	1,528,736	552,947	515,306
Share options reserve	3,641,137	-	3,641,137	-
Retained earnings	269,936,619	207,643,898	226,858,466	172,663,009
	275,389,860	210,431,791	231,052,550	173,178,315

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

14. RESERVES (continued)

(c) Share options reserve

Share options reserve represents the effect of equity-settled share options granted to Directors and employees. This reserve comprises the cumulative value of services received from Directors and employees for the issue of share options. Whenever options are exercised, an amount from the share options reserve is transferred to share capital. Whenever the share options expire, an amount from the share options reserve is transferred to retained earnings.

15. DEFERRED TAX

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Deferred tax liabilities	5,101,563	4,500,428	4,950,736	4,272,341

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Balance as at 1 January	4,500,428	4,305,977	4,272,341	4,261,602
Recognised in profit or loss (Note 22)	601,135	194,451	678,395	10,739
Balance as at 31 December	5,101,563	4,500,428	4,950,736	4,272,341

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

Deferred tax liabilities of the Group

2021	Property, plant and equipment RM	Other temporary differences RM	Total RM
At 1 January 2021	4,677,998	(177,570)	4,500,428
Recognised in profit or loss	731,288	(130,153)	601,135
At 31 December 2021	5,409,286	(307,723)	5,101,563
2020			
At 1 January 2020	4,623,206	(233,105)	4,390,101
Recognised in profit or loss	54,792	55,535	110,327
At 31 December 2020	4,677,998	(177,570)	4,500,428

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

15. DEFERRED TAX (continued)

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

Deferred tax liabilities of the Company

2021	**Property, plant and equipment RM**	**Other temporary differences RM**	**Total RM**
At 1 January 2021	4,398,781	(126,440)	4,272,341
Recognised in profit or loss	808,489	(130,094)	678,395
At 31 December 2021	5,207,270	(256,534)	4,950,736
2020			
At 1 January 2020	4,494,707	(233,105)	4,261,602
Recognised in profit or loss	(95,926)	106,665	10,739
At 31 December 2020	4,398,781	(126,440)	4,272,341

(c) 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	
	2021 RM	**2020 RM**
Unused tax losses		
- Expires by 31 December 2025	-	1,433,419
- Expires by 31 December 2028	1,433,419	-
Unabsorbed capital allowances	6,393,309	6,393,309
	7,826,728	7,826,728

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that future 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.

The unutilised tax losses which were previously allowed to be utilised for seven (7) consecutive years of assessments ("YAs") effective from YA2019 was extended to ten (10) consecutive YAs during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Trade payables				
Third parties	142,215,435	136,314,646	129,010,337	123,132,028
Amount owing to a related party	12,826,861	33,075,163	12,826,861	33,075,163
Amounts owing to subsidiaries	-	-	1,439,696	23,497,597
	155,042,296	169,389,809	143,276,894	179,704,788
Other payables				
Amounts owing to subsidiaries	-	-	45,059,446	45,075,811
Other payables	7,398,396	14,044,408	6,937,310	13,226,701
Accruals	42,595,032	36,142,985	38,770,576	33,090,715
	49,993,428	50,187,393	90,767,332	91,393,227
Contract liabilities	5,817,677	11,979,696	5,762,230	11,834,137
	210,853,401	231,556,898	239,806,456	282,932,152

(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 (2020: 30 to 120 days).

(c) Trade amounts owing to subsidiaries were subject to normal trade credit terms of 30 to 120 days (2020: 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

16. TRADE AND OTHER PAYABLES (continued)

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

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	147,206,831	153,992,170	183,340,470	213,271,127
United States Dollar	56,325,312	67,759,753	52,749,139	65,776,158
Chinese Renminbi	7,257,973	8,552,354	3,653,562	3,756,072
Japanese Yen	15,732	7,862	15,732	-
New Taiwan Dollar	22,470	71,179	22,470	71,179
Pound Sterling	-	1,115,964	-	-
Singapore Dollar	25,083	47,929	25,083	47,929
Euro	-	9,687	-	9,687
	210,853,401	231,556,898	239,806,456	282,932,152

(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	
	2021	**2020**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Effects of foreign currencies strengthen by 3% against RM				
Profit after tax	(1,451,142)	(1,768,476)	(1,287,424)	(1,588,271)

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 and suppliers 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

16. TRADE AND OTHER PAYABLES (continued)

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
At beginning of the year	11,979,696	1,327,934	11,834,137	1,148,557
Net revenue recognised during the financial year	(8,693,758)	(5,080,844)	(7,962,849)	(5,080,844)
Net cash receipts in advance	2,531,739	15,732,606	1,890,942	15,766,424
At end of the year	5,817,677	11,979,696	5,762,230	11,834,137

(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:

	2021 RM	2022 RM	Total RM
Group			
31 December 2021	-	5,817,677	5,817,677
31 December 2020	11,979,696	-	11,979,696
Company			
31 December 2021	-	5,762,230	5,762,230
31 December 2020	11,834,137	-	11,834,137

17. COMMITMENTS

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Capital expenditure in respect of purchase of property, plant and equipment:				
- approved but not contracted for	1,018,275	-	1,018,275	-
- contracted but not provided for	514,125	5,083,636	514,125	5,081,176
	1,532,400	5,083,636	1,532,400	5,081,176

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

18. REVENUE

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Revenue from contracts with customers				
Sale of goods	938,874,783	765,988,354	965,805,690	777,979,973
Timing of revenue recognition				
Point in time	938,874,783	765,988,354	965,805,690	777,979,973

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.

19. NET LOSSES/(GAINS) ON IMPAIRMENT OF FINANCIAL ASSETS

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Reversal of impairment losses on amount due from a subsidiary	10	-	-	(1,619,729)	-
Reversal of impairment losses on trade receivables	10	-	(2,109,507)	-	(2,109,387)
Allowance for impairment on trade receivables	10	379,632	366,581	378,577	366,581
		379,632	(1,742,926)	(1,241,152)	(1,742,806)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

20. PROFIT BEFORE TAX

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
After charging:				
Auditors' remuneration:				
BDO PLT				
- Statutory audit	128,500	126,500	102,500	98,500
- Non-statutory audit	2,000	3,000	2,000	3,000
Other auditors:				
- Statutory audit	14,693	19,492	-	-
Rental expense	-	44,057	-	40,360
Research and development costs	100,448	1,538,189	89,468	1,303,897
Unrealised loss on foreign exchange	630,016	1,923,310	558,936	1,899,154
And crediting:				
Gain on disposal of property, plant and equipment	5,635,573	-	59,097	-
Income distribution from short term funds	2,080,332	2,934,288	1,753,252	2,502,178
Interest income	74,894	117,917	63,094	110,697
Net realised gain on foreign exchange	12,870,140	2,991,218	11,880,762	3,125,206
Rental income	3,880,933	4,107,410	3,771,419	3,970,733
Unrealised gain on foreign exchange	725,023	1,706,171	695,276	1,438,503

(a) Interest income is recognised as it accrues, using the effective interest method.

(b) Rental income is recognised on a straight-line basis over the lease term of an ongoing lease.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

21. DIRECTORS' REMUNERATION

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Directors of the Company				
Executive: (Note 25)				
Director's fees	80,000	80,000	80,000	80,000
Short term employee benefits	2,302,500	881,300	2,302,500	881,300
Defined contribution plans	73,660	60,560	73,660	60,560
Share options granted under ESOS	188,000	-	188,000	-
	2,644,160	1,021,860	2,644,160	1,021,860
Non-Executive:				
Director's fees	160,000	160,000	160,000	160,000
Short term employee benefits	86,000	93,600	86,000	93,600
Share options granted under ESOS	376,000	-	376,000	-
	622,000	253,600	622,000	253,600
Total	3,266,160	1,275,460	3,266,160	1,275,460

Estimated monetary value of benefits-in-kind provided to the Directors of the Company is RM43,500 (2020: RM28,000).

22. TAX EXPENSE

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Current tax expense based on profit for the financial year:				
Malaysian income tax	26,999,028	15,848,482	25,925,556	15,846,874
UK income tax	702,838	-	-	-
(Over)/Under provision in prior years:				
Malaysian income tax	(414,550)	775,772	(419,317)	773,716
	27,287,316	16,624,254	25,506,239	16,620,590

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

22. TAX EXPENSE (continued)

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Deferred tax (Note 15)				
Relating to origination and reversal of temporary differences	164,262	(172,105)	231,799	(355,817)
Under provision in prior years	436,873	366,556	446,596	366,556
	601,135	194,451	678,395	10,739
Total tax expense	27,888,451	16,818,705	26,184,634	16,631,329

(a) Malaysian income tax is calculated at the statutory tax rate of 24% (2020: 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	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit for the financial year	96,845,653	52,512,779	88,800,234	48,073,691
Add: Total tax expense	27,888,451	16,818,705	26,184,634	16,631,329
Profit before tax	124,734,104	69,331,484	114,984,868	64,705,020

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

22. TAX EXPENSE (continued)

(c) Numerical reconciliation between the average effective tax rate and the applicable tax rate of the Group and of the Company is as follows (continued):

	Group		Company	
	2021	**2020**	**2021**	**2020**
	%	**%**	**%**	**%**
Applicable tax rate	24.0	24.0	24.0	24.0
Tax effects in respect of:				
Different tax rate in foreign jurisdiction	-*	-*	-*	-*
Non-allowable expenses	0.3	1.4	0.6	1.3
Non-taxable income	(1.9)	(1.4)	(1.9)	(1.4)
Movement in unrecognised deferred tax assets	-*	(1.3)	-	-
	22.4	22.7	22.7	23.9
(Over)/Under provision in prior years:				
- current tax	(0.3)	1.1	(0.4)	1.2
- deferred tax	0.4	0.5	0.4	0.6
Average effective tax rate	22.5	24.3	22.7	25.7

* Percentage is immaterial to disclose

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

Group	**Before tax RM**	**Tax effect RM**	**After tax RM**
2021			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	(975,789)	-	(975,789)
2020			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	(173,935)	-	(173,935)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

22. TAX EXPENSE (continued)

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

Company	Before tax RM	Tax effect RM	After tax RM
2021			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	37,641	-	37,641
2020			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	30,185	-	30,185

23. DIVIDENDS

	Group and Company			
	2021		2020	
	Dividend per ordinary share Sen	Amount of dividend RM	Dividend per ordinary share Sen	Amount of dividend RM
First interim single tier dividend in respect of financial year ended 31 December 2020/2019	14.0	34,630,157	11.0	27,209,409

On 24 February 2022, the Directors declared a first interim single tier dividend of 20.0 sen per ordinary share in respect of the financial year ended 31 December 2021 and to be paid to the shareholders on 28 April 2022, whose names appeared on the Record of Depositors of the Company at the close of business on 8 April 2022.

The financial statements for financial year ended 31 December 2021 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 2022.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

24. EARNINGS PER ORDINARY SHARE

(a) Basic

Basic earnings per ordinary share for the financial year has been calculated based on the consolidated profit for the financial year attributable to owners of the parents and the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2021	**2020**
Profit attributable to equity holders of the parent (RM)	96,897,498	52,520,804
Weighted average number of ordinary shares in issue	248,272,391	247,358,266
Basic earnings per ordinary share (sen)	39.03	21.23

(b) Diluted

Diluted earnings per ordinary share for the financial year has been calculated based on the consolidated profit for the financial year attributable to owners of the parents and the weighted average number of ordinary shares in issue during the financial year adjusted for the effects of dilutive potential ordinary shares.

	Group	
	2021	**2020**
Profit attributable to equity holders of the parent (RM)	96,897,498	52,520,804
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary share	248,272,391	247,358,266
Effect of dilution:		
- Employees' Share Options Scheme	2,676,488	-
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share	250,948,879	247,358,266
Diluted earnings per ordinary share (sen)	38.61	21.23

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

25. EMPLOYEE BENEFITS

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Salaries and allowances	117,989,341	111,406,262	102,273,935	98,303,597
Defined contribution plan	4,896,937	4,976,163	4,373,292	4,497,242
Other employee benefits	10,822,315	9,837,218	9,227,002	8,452,422
Share options granted under ESOS	5,887,455	-	5,887,455	-
	139,596,048	126,219,643	121,761,684	111,253,261

Compensation of key management personnel

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Executive Directors				
Remuneration (Note 21)	2,644,160	1,021,860	2,644,160	1,021,860
Other key management personnel				
Short term employee benefits	6,703,950	3,284,850	6,703,950	3,284,850
Defined contribution plans	340,128	252,084	340,128	252,084
Share options granted under ESOS	1,541,600	-	1,541,600	-
	8,585,678	3,536,934	8,585,678	3,536,934
Total compensation of key management personnel	11,229,838	4,558,794	11,229,838	4,558,794

26. EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

An ESOS was established on 29 June 2021 for the benefit of the eligible employees and Directors of the Group.

On 20 August 2021, the Company offered a total of 13,421,500 share options at an option price of RM2.55 per ordinary share to the Eligible Persons (as defined below) of the Group in accordance with the By-Laws of the ESOS out of which 13,326,500 share options were accepted by the Eligible Persons. As at 31 December 2021, the number of outstanding share options was 7,747,100.

The salient features of the ESOS are as follows:

a) Maximum number of shares available under the ESOS

The maximum number of new ordinary shares in the Company ("FPI Shares"), which may be granted under the ESOS shall not in aggregate exceed ten percent (10%) of the issued share capital (excluding treasury shares, if any) of the Company at any point of time throughout the duration of the ESOS.

26. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (continued)

b) Eligibility

Employee of the Group (excluding dormant subsidiaries)

Subject to the discretion of the committee appointed by the Board to administer the ESOS ("ESOS Committee"), any employee of the Group shall be eligible to participate in the ESOS if, as at the date of the Offer ("Offer Date"), the employee:

i. has attained at least eighteen (18) years of age;

ii. is not an undischarged bankrupt and is not subject to any bankruptcy proceedings;

iii. is confirmed in writing and has been in employment of the Group for a period of at least six (6) months of continued service prior to and up to the Offer Date, including service during the probationary period; and

iv. fulfils any other criteria and/or falls within such category as may be determined by the ESOS Committee from time to time.

Director of the Group

Subject to the discretion of ESOS Committee, any Director of the Group shall be eligible to participate in the ESOS if, as at Offer Date, the Director:

i. has attained at least eighteen (18) years of age;

ii. is not an undischarged bankrupt and is not subject to any bankruptcy proceedings;

iii. has been appointed as a Director (and not as an alternate director) of a company within the Group for a period of at least six (6) months;

iv. the specific allocation of Options to such Director under the ESOS must have been approved by the Shareholders at a general meeting and he/she is not prohibited or disallowed by the relevant authorities or laws from participating in the ESOS; and

iv. fulfils any other criteria and/or falls within such category as may be determined by the ESOS Committee from time to time.

(The eligible employees (including Director) above are hereinafter referred to as "Eligible Person(s)")

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

26. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (continued)

c) Maximum allowable allotment and basis of allocation

Subject to any adjustment which may be made under the By-Laws, the maximum number of new FPI Shares that may be offered under the ESOS shall be at the sole and absolute discretion of the ESOS Committee after taking into consideration, amongst others, the Eligible Person's position, performance, length of service and seniority in the Group respectively, or such other matters which the ESOS Committee may in its discretion deem fit subject to the following:

i. the Eligible Person does not participate in the deliberation or discussion in respect of their own allocation and the allocations to any persons connected with them; and

ii. the number of new FPI Shares allotted to any Eligible Person, who either singularly or collectively through person connected with him/her [as defined under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities")], holds twenty percent (20%) or more of the issued capital of the Company, shall not exceed ten percent (10%) of the total number of new FPI Shares to be issued under the ESOS, provided always that it is in accordance with any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other requirements of the relevant authorities and as amended from time to time.

d) Exercise price

Following the implementation of the Companies Act 2016 in Malaysia, the exercise price shall be based on the five (5)-day volume weighted average market price of FPI Shares, as quoted on Bursa Securities, immediately preceding the Offer Date, with a discount of not more than ten percent (10%) or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the ESOS.

e) Duration and termination of the ESOS

i. The ESOS came into force on 20 August 2021 ("Effective Date") and shall be for a duration of five (5) years. On or before the expiry of the ESOS Period ("Date of Expiry"), the ESOS may be extended at the sole and absolute discretion of the Board upon recommendation of the ESOS Committee, without having to obtain approval from the shareholders of the Group in a general meeting, for a further period of up to five (5) years commencing from the date after the Date of Expiry.

ii. The ESOS may be terminated by the Company at any time before the expiry of its duration provided that the Company makes an announcement immediately to Bursa Securities. The announcement shall include:

- the effective date of termination;
- the number of options exercised or shares vested, if applicable; and
- the reasons and justification for termination.

iii. Approval or consent of the shareholders of the Company by way of a resolution in a general meeting and written consent of grantees who have yet to exercise their options and/or vest the unvested shares (if applicable) are not required to effect a termination of the ESOS.

f) Exercise of option

Options are exercisable commencing from the Offer Date and expiring at the end of five (5) years from the Effective Date or in the event of a termination of the ESOS, the date of termination of the ESOS.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

26. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (continued)

g) Ranking of the new FPI Shares

The new FPI Shares to be allotted and issued upon any exercise of the option shall, upon allotment and issuance, rank pari passu in all respects with the existing issued and paid-up FPI Shares, save and except that the holders of the new FPI Shares shall not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid to the shareholders of the Company, where the entitlement date precedes the date of allotment of the said shares. The options shall not carry any right to vote at a general meeting of the Company until and unless options are exercised into FPI Shares.

The movements of the options over the unissued ordinary shares in the Company granted under the ESOS during the financial year were as follows:

		← Number of options over ordinary shares →				
Option price	**Date of offer**	**As at 1.1.2021**	**Granted and accepted**	**Exercised**	**Lapsed***	**As at 31.12.2021**
RM2.55	20 August 2021	-	13,326,500	(5,525,400)	(54,000)	7,747,100
Remaining contractual life (months)		-				55
Exerciseable period		-				20 August 2021 - 19 August 2026

* Due to resignation.

Fair value of share options granted

The fair value of share options was determined using a Black-Scholes model. The fair values of the share options were arrived at based on the following assumptions.

	2021
Average share price at grant date (RM)	2.83
Exercise price (RM)	2.55
Expected volatility (%)	20
Expected dividend yield (%)	7.11
Risk free interest rate (%)	2.65
Fair value of share options granted (RM)	0.47

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

27. 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.

Related parties of the Group include:

(i) Direct and indirect subsidiaries as disclosed in Note 8 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	
	2021	**2020**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Subsidiaries:				
Purchase of products	-	-	101,525,147	75,418,547
Sale of products	-	-	31,545,742	15,912,971
Related parties:				
Sale of products	200,914,615	212,558,457	200,914,615	212,558,457
Purchase of products	81,934,002	86,800,874	81,934,002	86,800,874

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

27. RELATED PARTY DISCLOSURES (continued)

(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.

Executive Directors of the Group have been granted the following number of options under the ESOS:

	Group 2021 Number of shares
Granted	400,000
Exercised	(100,000)
Balance as at 31 December	300,000

The terms and conditions of the ESOS are detailed in Note 26 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 2021 or entered into since the end of the previous financial year.

28. 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 2021 and 31 December 2021.

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 more 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 2021.

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

28. CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT (continued)

(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.

Branch operating in oversea has assets and liabilities together with expected cash flows from anticipated transactions denominated in foreign currency.

(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.

(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.

<u>Exposure to credit risk</u>

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 10 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (CONTINUED)

29. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE REPORTING PERIOD

(a) An ESOS was established on 29 June 2021 for the benefit of the eligible employees and Directors of the Group.

On 20 August 2021, the Company offered a total of 13,421,500 share options at an option price of RM2.55 per ordinary share to the eligible Directors and employees of the Group in accordance with the By-Laws of the ESOS out of which 13,326,500 share options were accepted. As at 31 December 2021, the number of outstanding share options was 7,747,100.

(b) Acoustic Energy Limited ("AE"), a wholly owned foreign subsidiary of the Company, had on 7 May 2021 entered into a contract for the sale of freehold Property with vacant possession ("SPA") with Scott Group Holdings Limited, a non-related third party, for the disposal of a parcel of property at 16 Bridge Road Cirencester GL7 1NJ, United Kingdom and registered at the HM Property Registry with title absolute under title number GR138064 for a cash consideration of Pounds One Million Four Hundred and Twenty Thousand (£1,420,000.00) only. The disposal was completed on 1 July 2021.

(c) On 24 February 2022, geopolitical risks evolve when Russia invaded Ukraine resulting in the imposition of various economic sanctions on Russia by several countries across the world. These developments resulted in soaring global commodities and energy prices, supply chain disruption, significant decrease in value of Ruble and a temporary halt of trading on the Moscow Exchange.

As at the date of authorisation of the financial statements, the Russia-Ukraine conflict is still evolving and remains unpredictable. Consequently, the Group and the Company are unable to estimate the financial effects of the situation at this juncture. The Group and the Company are actively monitoring and managing the operations of the Group and the Company to minimise any impact arising from these developments.

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 Amendments of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	Effective Date
Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to MFRS 16 *Leases*)	1 April 2021 (early adopt)

Adoption of the above Amendments did not have any material effect on the financial performance or position of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021 (CONTINUED)

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 2022

The following are Standard and Amendments 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
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 *Reference to the Conceptual Framework*	1 January 2022
Amendments to MFRS 116 *Property, Plant and Equipment - Proceeds before Intended Use*	1 January 2022
Amendments to MFRS 137 *Onerous Contracts - Cost of Fulfilling a Contract*	1 January 2022
Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*	1 January 2023
MFRS 17 *Insurance Contracts*	1 January 2023
Amendments to MFRS 17 *Insurance Contracts*	1 January 2023
Disclosure of Accounting Policies (Amendments to MFRS 101 *Presentation of Financial Statements*)	1 January 2023
Definition of Accounting Estimates (Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*)	1 January 2023
Amendments to MFRS 112 *Deferred tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

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

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2022

SHARE CAPITAL

Total Number of Issued Shares : 255,276,866
Issued & Fully Paid-Up Capital : RM144,865,429
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	35	0.412	726	0.000
100 - 1,000 shares	2,132	25.088	1,522,224	0.596
1,001 - 10,000 shares	4,749	55.884	20,520,662	8.039
10,001 - 100,000 shares	1,378	16.216	38,914,835	15.244
100,001 to less than 5% of issued shares	202	2.377	112,058,419	43.897
5% and above of issued shares	2	0.023	82,260,000	32.224
TOTAL	**8,498**	**100.000**	**255,276,866**	**100.000**

SUBSTANTIAL SHAREHOLDERS

Name	Direct No. of Shares	Percentage	Indirect No. of Shares	Percentage
1) Wistron Corporation	69,260,000	27.131	-	-
2) Chang Song Hai	13,000,000	5.092	-	-
TOTAL	**82,260,000**	**32.223**	**-**	**-**

DIRECTORS' INTEREST

Name	Direct No. of Shares	Percentage	Indirect No. of Shares	Percentage
1) Shih Chao Yuan	6,200,000	2.428	2,016,000	0.789
2) Chen Ching Sen	1,500,000	0.587	-	-
3) Leow Ing Seng	260,000	0.101	-	-
4) Lim Chung Yin (Shares held under Affin Hwang Nominees (Tempatan) Sdn Bhd)	200,000	0.078	-	-
5) Huang Ying Hao	-	-	-	-
6) Koh Meng Ching	270,000	0.105	-	-
TOTAL	**8,430,000**	**3.299**	**2,016,000**	**0.789**

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2022 (CONTINUED)

LIST OF TOP 30 SHAREHOLDERS

	Name	No. of Shares Held	Percentage
1	WISTRON CORPORATION	69,260,000	27.131
2	CHANG, SONG-HAI	13,000,000	5.092
3	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT SHARIAH PROGRESS FUND	7,566,700	2.964
4	WU SWEE NGOR	6,393,400	2.504
5	SHIH CHAO YUAN	6,200,000	2.428
6	TAN LEE HWA	4,403,000	1.724
7	AKROS TRADING MALAYSIA SDN. BHD.	4,267,704	1.671
8	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEE SAI MUN	3,523,000	1.380
9	WANG, WEI-NAN	2,738,400	1.072
10	FOO KHEN LING	2,580,000	1.010
11	AU YONG MUN YUE	2,550,000	0.998
12	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	2,045,237	0.801
13	SHIH HUANG HSIU FANG	2,016,000	0.789
14	CHANG, KEI-POI	2,010,000	0.787
15	YEOH YEW CHOO	1,807,600	0.708
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JOSEPH LAM WAI	1,800,000	0.705
17	UOBM NOMINEES (TEMPATAN) SDN BHD UOB ASSET MANAGEMENT (MALAYSIA) BERHAD FOR GIBRALTAR BSN AGGRESSIVE FUND	1,598,100	0.626
18	CHEN CHING-SEN	1,500,000	0.587
19	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)	1,500,000	0.587
20	UOBM NOMINEES (TEMPATAN) SDN BHD UOB ISLAMIC ASSET MANAGEMENT SDN BHD FOR LEMBAGA TABUNG HAJI	1,452,500	0.568
21	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEE SAI MUN (E-KLC)	1,404,700	0.550
22	HSBC NOMINEES (ASING) SDN BHD SG NANTES FOR CIVETTA NANJIA FUND (NANJIA CAP ICAV)	1,335,563	0.523
23	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KAF TACTICAL FUND	1,200,000	0.470
24	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOO SENG HOCK	1,172,100	0.459
25	YEO KHEE HUAT	1,000,000	0.391
26	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	988,000	0.387
27	LOH KAM MOOI	915,500	0.358
28	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD EXEMPT AN FOR AFFIN HWANG ASSET MANAGEMENT BERHAD (TSTAC/CLNT-T)	779,600	0.305
29	LUE LEE YING	745,174	0.291
30	RONIE TAN CHOO SENG	700,000	0.274
TOTAL		**148,452,278**	**58.140**

LIST OF PROPERTIES

AS AT 31 DECEMBER 2021

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 Lebuh 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	32	349,232	234,680	8,926,682	For Factories Cum Offices
No. 1 Lebuh 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	32	365,060	221,287	14,817,587	For Factories Cum Offices
	Single storey factory cum office (Building No. E2)			32				
	Double storey factory cum office (Building No. E4)			31				
No. 2 Lebuh 1 Bandar Sultan Suleiman Taiwanese Industrial Park 42000 Port Klang Selangor Darul Ehsan	Four Storey Office Block	Leasehold (99 years Expiring 21/9/2093)	October 2021	25	188,058	115,426	17,036,336	For Offices
	Single storey factory			29				For Factory
	Warehouse			23				For Warehouse
	Single storey Guard house			23				For Security
Plot 119C & 252, 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 31/05/2051)	May 1993	29	130,680	73,909	1,570,556	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 31/05/2051)	July 2006	29	65,340	62,500	792,813	For Factories Cum Offices

LIST OF PROPERTIES

AS AT 31 DECEMBER 2021 (CONTINUED)

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	Double storey office block location at the front portion and a connecting single storey office	Leasehold (60 years expiring 31/5/2050)	August 2015	22	423,775	193,314	12,262,535	For Office Cum Factory
	Warehouse facility		August 2015	13				For Storage
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	11	861,747	N/A	15,758,966	Vacant
No.3 Lebuh Sultan Mohamad 2 Kawasan Perindustrian Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor Darul Ehsan	Single storey factory cum office	Leasehold (99 years expiring 21/09/2093)	October 2017	31	113,075	60,858	9,905,783	For Factory and storage
	Warehouse facility			20				
74 units PKNS Apartments at Bandar Sultan Suleiman	Medium to low cost apartments	Leasehold (99 years expiring 11/07/2103)	27 May 2019	12	-	56,554	3,655,155	For Workers Accomodation
9F, No.36 Aly 38 Lane 358, Ruei-Guang Road Neihu District Taipei City 11492 Taiwan	Office building	Freehold	November 2009	14	-	4,532	8,131,793	For Office

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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 _____

and (if more than one (1) proxy) _____ 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-Fourth Annual General Meeting ("AGM") of the Company to be conducted fully virtual and live streaming through the online meeting platform of TIIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia via its website at https://tiih.online or https://tiih.com.my (Domain registration number with MYNIC:DIA282781) on **Friday, 27 May 2022** at **10.00 a.m.** 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		

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. The Thirty-Fourth Annual General Meeting ("AGM") of the Company will be conducted on a fully virtual basis through live streaming with online remote voting via the Remote Participation and Voting ("RPV") facilities provided by Investor & Issuing House Services Sdn Bhd. The conduct of a fully virtual 34th AGM is in line with the Revised Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers issued by Securities Commission of Malaysia. An online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act 2016 provided that the online platform is located in Malaysia and all meeting participants including Chairman of the meeting, board members, senior management and shareholders are to participate in the meeting online. Members are to attend, participate (including posing questions via real time submission of typed texts) and vote remotely at the AGM via the RPV. A member who has appointed a proxy or attorney or authorised representative to participate in this AGM via the RPV must request his/ her proxy or attorney or authorised representative to register himself/herself for RPV via TIIH Online website at https://tiih.online.

   Please refer to the procedures set out in the Administrative Guide for the AGM to register, participate and vote remotely via the RPV.

2. 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 **20 May 2022** and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxy(ies) to attend and vote on his/her behalf.
3. 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 on his/her behalf.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it 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.
5. Where a member 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.

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STAMP

The Share Registrar of
FORMOSA PROSONIC INDUSTRIES BERHAD
(Company No.: 198801004954 (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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6. Where a member, an authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, otherwise the appointment shall not be valid.
7. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote shall have the same rights as the member to move any resolution or amendment thereto and to speak at the meeting.
8. The appointment of a proxy may be made in the following manner and must be received by the Company at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof:

   In hard copy form
   The proxy form must be deposited at the office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, at Unit 32- 01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, its Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

   By electronic means
   The proxy form can be electronically lodged with the Company's Share Registrar via **TIIH Online** at https://tiih.online. Please refer to the Administrative Guide for the 34th AGM on the procedures for electronic lodgement of Proxy Form via TIIH Online.
9. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Company's Share Registrar's office at the above address not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the persons named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/ or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
10. For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL/CERTIFIED TRUE certificate of appointment of authorised representative with the Company's Share Registrar at the above address. The certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by at least two (2) authorised officers, of whom one shall be a director; or any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

PROSONIC

FORMOSA PROSONIC INDUSTRIES BERHAD
198801004954 (172312-K)

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

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