

www.fp-group.com

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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ANNUAL REPORT
2020

ANNUAL REPORT 2020



33rd

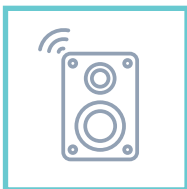
ANNUAL GENERAL
MEETING

Tuesday, 29 June 2021 at 10.00 a.m.

Crown Hall, Level 1, Crystal Crown Hotel Harbour View,
217 Persiaran Raja Muda Musa, 42000 Port Klang,
Selangor Darul Ehsan

WHAT'S

I N S I D E



Wireless Speaker
Products



Musical Instrument
Products



Conventional Speaker
Products

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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

COMPANY SECRETARIES

Lim Hooi Mooi
SSM PC NO. 201908000134
MAICSA 0799764

Wong Wai Foong
SSM PC NO. 202008001472
MAICSA 7001358

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

PRINCIPAL PLACE OF BUSINESS

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

AUDITORS

BDO PLT
(LLP0018825-LCA & AF0206)
Chartered Accountants
Level 8, BDO @ Menara Centara
360, Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur

Tricor Customer Service Centre

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

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

REGISTERED OFFICE

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
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Fax : 03-2783 9111

WEBSITE

www.fp-group.com

GROUP MANAGING DIRECTOR'S STATEMENT



“

Dear Ladies and Gentlemen,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Audited Financial Statements of Formosa Prosonic Industries Berhad (“FPI”) for the financial year 31 December 2020 (“FY2020”).

”

FY2020 A year in Review

In 2020, the global economy faced a combination of risks, which disrupted global economy in many sectors, from trade disputes to the outbreak of the COVID-19 pandemic. Since its establishment of more than 30 years ago, this period in our Group's history is by far the most unprecedented and challenging period. As the COVID-19 virus spread across the globe, the Group and many other companies have faced with disruptions to their operations including temporarily shutting down of factories in order to comply with the governments' regulations and measures to deal with the pandemic.

Against this backdrop, the Group proved its resilience by reporting another set of creditable results. The achievement of sales of RM766.0 million and profit before tax of RM69.3 million are mainly attributable to its sales mix and cost control measures that were put in place during such trying times.

Our performance in 2020 reflects the strength of the deep partnerships we have nurtured with great care over the years. In return, these collaborative relationships with customers have won us new orders where the Group continues to become a tactical and powerful supply chain.

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

After a turbulence year 2020 and as we entered 2021, the business environment remains dynamic and ever-challenging and is unfortunately still marred by the COVID-19 outbreak. Undeterred, the Group remains focused to carry the following plans:-

1. Focus on customers. The Group strives to provide highest level of total customer satisfaction to be underpinned by sustainable operational excellence, total quality management and value creation opportunities.
2. Focus on tactical investment and talent development to optimise business efficiencies and performance. Under my direction, tactical investments will continue to be made into selective automation that comprises self-developed jigs and equipment and new and better way of production methods, allowing the Group to upscale its efficiencies, sustain its high quality standard and to achieve cost savings target. In furtherance, the Group will continue to enhance its talent pool across a wide range of technical and professional qualifications in order to remain steadfast in delivering one-stop manufacturing solutions and to be a strategic partner of choice.
3. Focus on occupational health and safety ("OHS"). The OHS of our workforce has always been one of the priorities. Since the start of COVID-19 outbreak to its evolution into a pandemic, the Group has strictly adhered to the administrative guidelines and measures issued by the authorities in order to contain the virus from further wide spreading. In addition, we stepped up with extraordinary efforts by providing peace of mind and a measure of assistance to all workers during these turbulence times including but not limited to provision of free meals. In this regard, credit must be given to the management team that have been working tirelessly to ensure stability as business and the people adopted to the new normal.

We are confident that we would be able to deal with the new changes in worldwide economic by working very closely with our customers and suppliers. The Group anticipates this year will be a challenging year in view of market volatility, supply chain challenge and higher operating costs and barring unforeseen circumstances, the Group expects to remain profitable in the coming financial year.

RM34.6 million paid in dividends at 14.0 sen per share

The Board had declared and paid a first interim single tier dividend of 14.0 sen per share amounting to RM34.6 million for FY2020 (FY2019: 11.0 sen per share or RM27.2 million). The company has consistently paid dividends since it was listed in 1994.

Acknowledgement

On behalf of the Board, I would like to express our sincere appreciation to all our shareholders, business partners and associates who have continued to support and believe in us. I thank my fellow Directors past and present for their undivided support, wisdom and contribution in helping the Group to achieve what we set out. Lastly, I especially thank all our employees for their commitment and enormous support and efforts that were given to working towards a safe and 'new normal' operating environment in light of the COVID-19 pandemic.

Non-Independent and Non-Executive Director Mr Shen Ching Yao has resigned on 26 June 2020. On behalf of the Board, we take this opportunity to express our gratitude to Mr Shen. His contribution and wisdom has been both valuable and immense in steering the Board of Directors over the past 6 years.

On 13 August 2020, the Group announced the appointment of Mr Huang Ying Hao to the Board as Non-Independent and Non-Executive Director. I am very pleased to welcome Mr Huang to FPI's Board. I have no doubt Mr Huang would be able to contribute significantly to the Board's deliberation.

Thank you.

Shih Chao Yuan
Group Managing Director

31 May 2021
Kuala Lumpur, Malaysia

MANAGEMENT DISCUSSION & ANALYSIS



TOTAL REVENUE
RM766.0
MILLION



PROFIT BEFORE TAX
RM69.3
MILLION



PROFIT AFTER TAX
RM52.5
MILLION

OVERVIEW OF BUSINESS OPERATIONS

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

Sales Performance

The Group’s sales in FY2020 were affected by the outbreak of the COVID-19 pandemic as our entire operations were temporarily shut down from 18 March 2020 to end of April 2020 as mandated by the authorities in an effort to contain the spread of the virus. The resumption of works were initially met with drop in production capacity as we were required to observe and comply with stringent Standard Operating Procedures (“SOP”) set out by the authorities. Nevertheless, the Group acted swiftly to ramp up its operations to provide critical support to customers to meet with their market requirements. The Group again proved its resilience not only in the face of adversity but on flexibilities and capabilities to adopt and respond to changes and challenges.

Notwithstanding the above, the Group achieved sales of RM766.0 MILLION for FY2020, a level almost equal to the sales recorded in the previous financial year.

The Group’s continuous focus 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 had been a key contributing factor. These 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 channelled for more productive and desirable outcomes.

MANAGEMENT DISCUSSION & ANALYSIS

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

In RM'000	Year ended 31-12-2020	Year ended 31-12-2019	Year ended 31-12-2018
Revenue	765,988	766,198	560,520
Profit Before Tax	69,331	54,323	45,078
Profit After Tax	52,513	41,786	36,633
EBITDA	82,042	66,950	53,296
EBITDA Margin	10.7%	8.7%	9.5%
ROE	15.7%	13.5%	12.5%
ROA	8.9%	8.5%	8.2%

The Group reported marginally lower revenue for the FY2020 for the aforementioned reason. Nevertheless, the Group registered higher earnings before interest, tax, depreciation and amortisation (EBITDA) in the FY2020 of RM82.0 million from RM66.9 million in the FY2019 mainly attributable to change in sales mix and vigorous cost control measures that were put in place.

As in previous years, the Group continued to dedicate its efforts on improving manufacturing processes and quality systems. This includes strengthening its existing management execution systems that brings better control, visibility, speed and efficiency to allow for optimal level of manufacturing operations. The Group has also enhanced the existing tracking systems covering the materials store, production and logistic areas which are crucial not only to reduce downtime and defect issues but also complement Just-In-Time ("JIT") approach which have effectively minimised production floor area and storage space.

Not one to rest on its laurels, the Group is constantly transforming its engineering and manufacturing capabilities while developing new competitive competency by working closely with its strategic partners. In order to cope with the on-going quality demand, high volume manufacturing of products and the need to reduce machine downtime risk, the Group has continued to invest tactically in new injection machines, CNC machines, fully and semi-automated machines. Furthermore, internal training programmes were conducted throughout the year and these have helped to enhance the operational and inspection knowledge of workers.

MANAGEMENT DISCUSSION & ANALYSIS

Financial Positions

The table below highlights the Group financial positions as at 31 December 2020.

In RM'000	Year ended 31-12-2020	Year ended 31-12-2019	Change in value
Non-current assets			
Property, plant and equipment	80,482	88,610	(8,128)
Right-of-use assets	38,529	40,927	(2,398)
Others	-	84	(84)
Current assets			
Inventories	49,772	47,462	2,310
Trade receivables	149,527	103,714	45,813
Cash and deposits	270,343	203,696	66,647
Others	3,530	7,260	(3,730)
Non-current liabilities			
Deferred tax	4,500	4,390	110
Lease liabilities	1,190	2,752	(1,562)
Current liabilities			
Trade payables	169,390	120,357	49,033
Lease liabilities	2,164	2,311	(147)
Tax liabilities	7,559	6,177	1,382
Others	62,167	35,683	26,484
Non-controlling interests	10,108	10,116	(8)
Equity attributable to shareholders	335,105	309,967	25,138
Net Asset Per Share (RM)	1.35	1.25	0.10
Cash Per Share (RM)	1.09	0.82	0.27
Debt / Equity Ratio (times)	N/A	N/A	N/A

The Group has built up a robust balance sheet over the years. As at end of 2020, financial position remained solid with net cash of RM270.3 million, an increase of 32.7% from RM203.7 million at end of 2019 mainly attributable to strong cash generation from operations. Total shareholders' funds amounted to RM335.1 million, an increase of 8.1% as compared to 31 December 2019. Book value per share was higher at RM1.35 as compared to RM1.25 at 31 December 2019, an increase of 8.1% after taking into consideration RM0.11 per share dividend pay-out.

The trade receivables turnover increased to 70 days from 49 days attributable to higher sales registered in the last quarter of year 2020 but it was still 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. Inventory turnover increased marginally to 27 days from 25 days and the inventory level was at optimum level for production requirement. This was achieved on the back of strong JIT manufacturing including streamlining and synchronising the receiving store and incoming quality control ("IQC") so that the incoming materials received are inspected in a JIT manner. IQC operations were conducted so that material specifications and inspection samples can be supplied directly to the inspection stations, thereby reducing handling activities by inspectors.

MANAGEMENT DISCUSSION & ANALYSIS

Cash Flows

The table below highlights the Group's cash flows and cash flows position for the year ended 31 December 2020.

In RM'000	Year ended 31-12-2020	Year ended 31-12-2019	Change in value
Operating activities	98,616	71,297	27,319
Investing activities	(846)	(6,008)	5,162
Free cash flows ¹	97,770	65,289	32,481
Financing activities	(30,146)	(28,258)	(1,888)
Net increase in cash and cash equivalents	67,624	37,031	30,593
Cash and cash equivalents at end of year	270,205	203,563	66,642

The Group continued generating positive and healthy free cash flows. Our track record of sustainable returns to shareholders is based on our disciplined approach to business and the use of all our resources, including financial resources. In terms of cash, we maintained zero bank borrowings and practise prudent and focused management over working capital. The Group's cash and cash equivalents surged to RM270.2 million as at end of 2020 from RM203.6 million as at end of 2019 mainly due to strong cash generation and lower capital expenditure.

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

RISKS AND EXPOSURE

Changing Nature of Products

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

Changing Economic of Production

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

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.

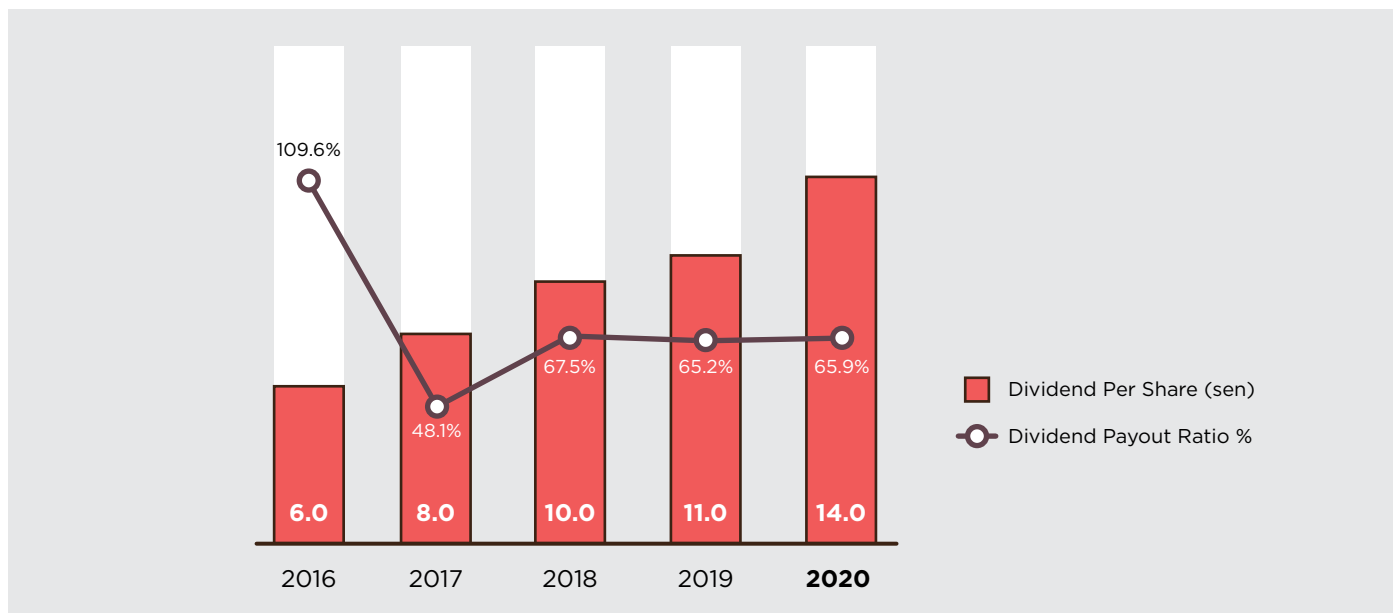
CAPITAL

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 14.0 sen per share in respect of the financial year ended 31 December 2020 (FY2019: 11.0 sen). The dividend was paid on 19 April 2021 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 5 April 2021.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Third Annual General Meeting (“AGM”) of the Company will be held at Crown Hall, Level 1, Crystal Crown Hotel Harbour View, 217 Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan on Tuesday, 29 June 2021 at 10.00 a.m. for the following purposes:

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| <p>1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 and the Reports of the Directors and the Auditors thereon. <i>(Please refer to Note No. 2)</i></p> | Resolution 1 |
| <p>2. To approve the payment of Directors’ Fees in respect of the financial year ended 31 December 2020.</p> | Resolution 2 |
| <p>3. To approve the payment of Directors’ benefits of up to RM1,200,000 for the financial period from 1 July 2021 to 30 June 2022. <i>(Please refer to Note No. 3)</i></p> | Resolution 3 |
| <p>4. To re-elect the following Directors retiring in accordance with Clause 117 of the Constitution of the Company:-</p> <p>4.1 Mr Shih Chao Yuan</p> <p>4.2 Mr Lim Chung Yin</p> | Resolution 4 |
| <p>5. To re-elect Mr Huang Ying Hao retiring in accordance with Clause 124 of the Constitution of the Company</p> | Resolution 5 |
| <p>6. To re-appoint BDO PLT as the Auditors of the Company and to authorise the Directors to fix their remuneration.</p> | Resolution 6 |

As Special Business

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

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| <p>7. Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016</p> <p>“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 (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the approvals of the relevant governmental/regulatory authorities (if any), the Directors of the Company be and are hereby authorised to allot and issue shares in the Company from time to time, at such price, upon such terms and conditions and for such purposes and to such persons whomsoever as the Directors may in their absolute discretion deem fit PROVIDED THAT the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares, if any) of the Company for the time being AND THAT the Directors be authorised to do all such things as they may deem fit and expedient in the best interest of the Company to give effect to the issuance of new shares under this resolution including making such applications to Bursa Securities for the listing of and quotation for the additional shares so issued on Bursa Securities AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting (“AGM”) of the Company, unless revoked or varied by an ordinary resolution of the Company at a general meeting.”</p> | Resolution 7 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|

NOTICE OF ANNUAL GENERAL MEETING

8. Proposed Renewal of Authority for Share Buy-Back

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

- i. the aggregate number of issued shares in the Company (“Shares”) purchased (“Purchased Shares”) and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at point of purchase; and
- ii. the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

(“Proposed Share Buy-Back”).

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

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

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

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

- i. To cancel all or part of the Purchased Shares;
- ii. To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;
- iii. To distribute all or part of the treasury shares as dividends to the shareholders of the Company;

Resolution 8

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.

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

“THAT, approval be and is hereby given for the Proposed Renewal of Shareholders' Mandate for the Company and/or its subsidiaries to enter into the categories of recurrent related party transactions of a revenue or trading nature falling within the nature of transactions set out in Section 3.3 of Part B the Circular to Shareholders dated 31 May 2021 (“the Circular”), with the related parties falling within the classes of persons set out in Section 3.2 of Part B under the Circular, such transactions are necessary for the Company and/or its subsidiaries' day-to-day operations and which are carried out in the ordinary course of business, on terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interest of the minority shareholders.

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

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

whichever is the earlier.

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

Resolution 9

NOTICE OF ANNUAL GENERAL MEETING

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

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

10.1 Mr Leow Ing Seng

10.2 Mr Lim Chung Yin

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

By Order of the Board

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

Kuala Lumpur
Dated: 31 May 2021

Resolution 10

Resolution 11

NOTES

1. Appointment of Proxy

- 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 **21 June 2021** 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.
- Members/proxies/corporate representatives who wish to attend the meeting in person **ARE REQUIRED TO PRE-REGISTER** with the Company’s Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd (“Tricor”), via the **TIIH Online** website at <https://tiih.online> no later than **Sunday, 27 June 2021 at 10.00 a.m.** Please follow the Pre-Register Procedures in the Administrative Guide for the AGM.
- 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.
- 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.

NOTICE OF ANNUAL GENERAL 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 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.

2. Agenda Item No. 1

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

3. Agenda Item No. 3 – Resolution 2

This proposed Resolution No. 2 is to facilitate payment of Directors' benefits for the period from 1 July 2021 until 30 June 2022 (the due date for holding the Company's next Annual General Meeting in 2022). In the event the Directors' benefits proposed are insufficient (e.g. due to more meetings or enlarged Board size etc.), approval will be sought at the next Annual General Meeting for the additional amount to meet the shortfall.

4. Explanatory Notes on Special Businesses

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

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

NOTICE OF ANNUAL GENERAL MEETING

ii) Proposed Renewal of Authority for Share Buy-Back

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

For further information, please refer to the Share Buy-Back Statement dated 31 May 2021 accompanying the Company's Annual Report for the financial year ended 31 December 2020.

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

The proposed Resolution No. 9 is to seek a renewal of Shareholders' Mandate to allow the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature and to enable the Company to comply with Paragraph 10.09, Part E of the 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 Annual General Meeting of the Company. For further information, please refer to Part B of the Circular to Shareholders dated 31 May 2021 accompanying the Company's Annual Report for the financial year ended 31 December 2020.

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

Statement Accompanying Notice of Annual General Meeting

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

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

PROFILE OF DIRECTORS



SHIH CHAO YUAN

Group Managing Director		
Aged 65	Gender Male	Nationality Taiwanese

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



CHEN CHING SEN

Independent Non-Executive Director		
Aged 67	Gender Male	Nationality 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 0.61% interest in the Company.

PROFILE OF DIRECTORS



LIM CHUNG YIN

Independent Non-Executive Director

Aged 63

Gender Male

Nationality Malaysian



LEOW ING SENG

Senior Independent Non-Executive Director

Aged 73

Gender Male

Nationality Malaysian

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 Remuneration Committee and Nomination Committee of the Company.

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

LEOW ING SENG 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 200,000 ordinary shares or 0.08% interest in the Company.

PROFILE OF DIRECTORS



HUANG YING HAO

Non-Independent Non-Executive Director

Aged 52

Gender Male

Nationality Taiwanese



KOH MENG CHING

Executive Director

Aged 53

Gender Male

Nationality Malaysian

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 25 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.

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 170,000 ordinary shares or 0.069% interest in the Company.

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 penalty by the relevant regulatory bodies during the financial year 2020.

Other Directorship

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

PROFILE OF SENIOR MANAGEMENT

CHEONG HONG YIP

Male, a Malaysian,
aged 53

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

CHEW BOON HUA

Male, a Malaysian,
aged 52

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

CHONG LIEN KIEUNG

Male, a Malaysian,
aged 51

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

LIM CHUN HOOI

Female, a Malaysian,
aged 51

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

KRIS CHANG SHIH YING

Male, a Taiwanese,
aged 52

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

LIM CHOO WOOL

Male, a Malaysian,
aged 47

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

CHONG HUI LING

Female, a Malaysian,
aged 44

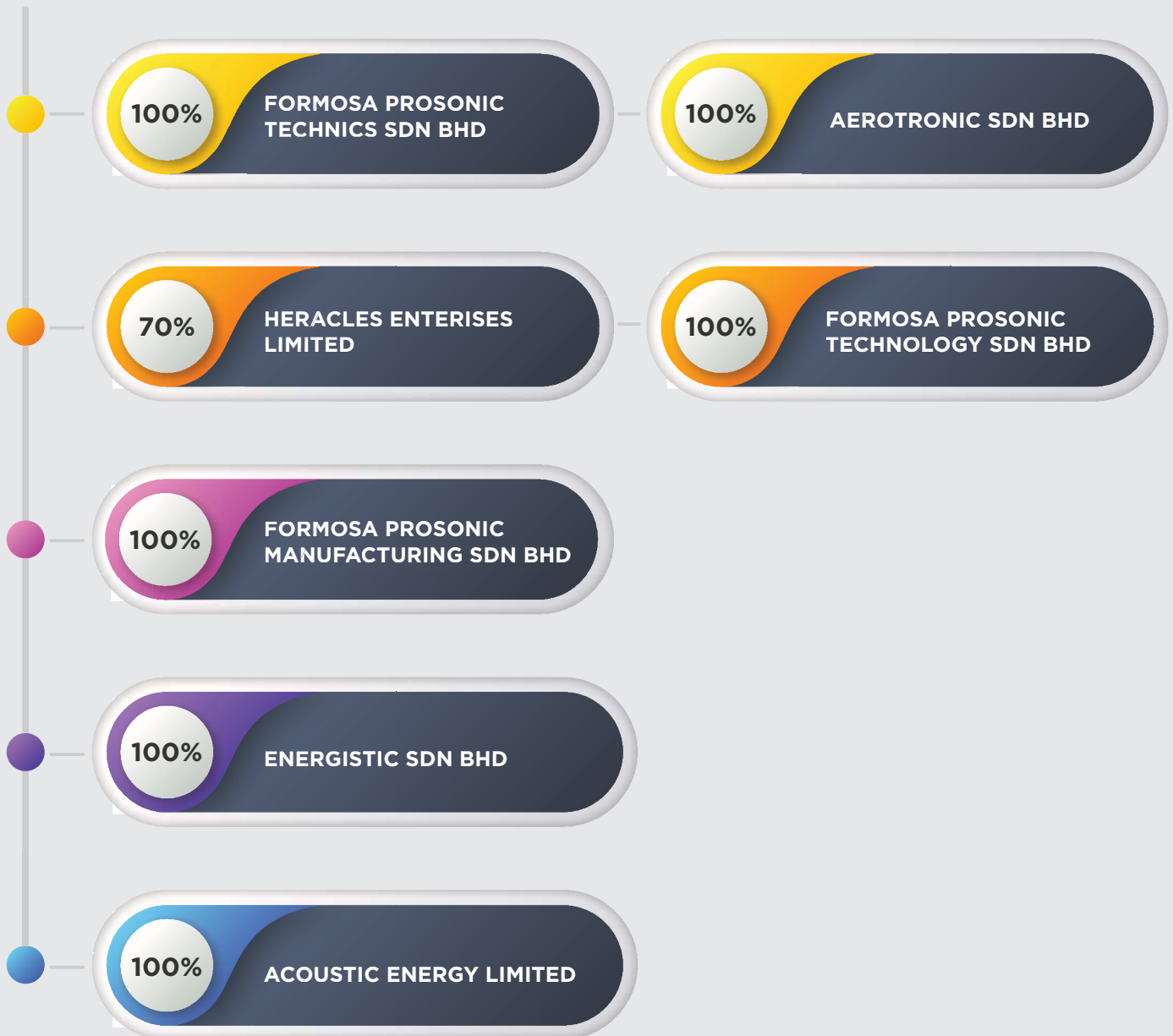
Ms Chong is currently a Senior Manager in Business Group with a focus on marketing and products development in the Sungai Petani operations. She joined FPI in 2003 as a costing executive. Later in her path she was exposed to various operations including business development, engineering and sourcing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

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

CORPORATE STRUCTURE



FORMOSA PROSONIC INDUSTRIES BERHAD
198801004954 (172312-K)



SUSTAINABILITY STATEMENT



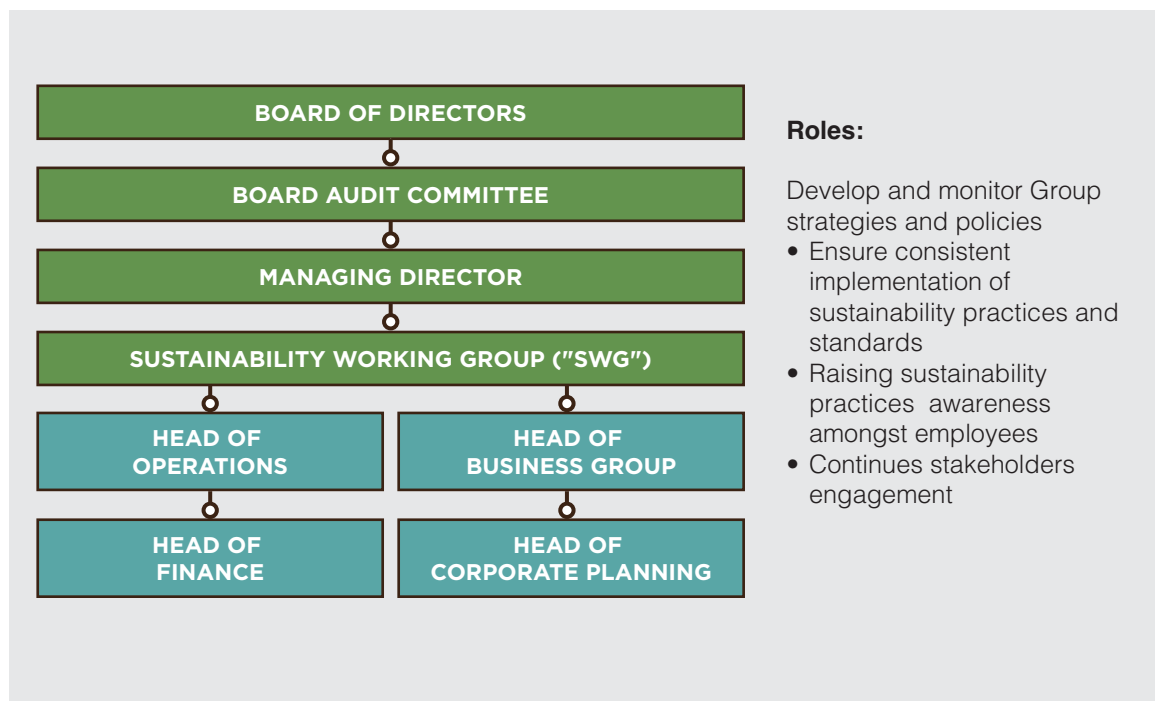
Sustainability has always been an integral part of the business of Formosa Prosonic Industries Berhad and its subsidiary companies (“FPI or the Company”). Our sustainability efforts represent our commitment towards maximising opportunities and efficiency to continuously operate as a profitable entity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

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

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

Governance structure

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



SUSTAINABILITY STATEMENT

The scope of this sustainability reporting encompasses the following key operations within FPI in Malaysia that covers from 1 January 2020 to 31 December 2020:

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

Stakeholders' Expectation

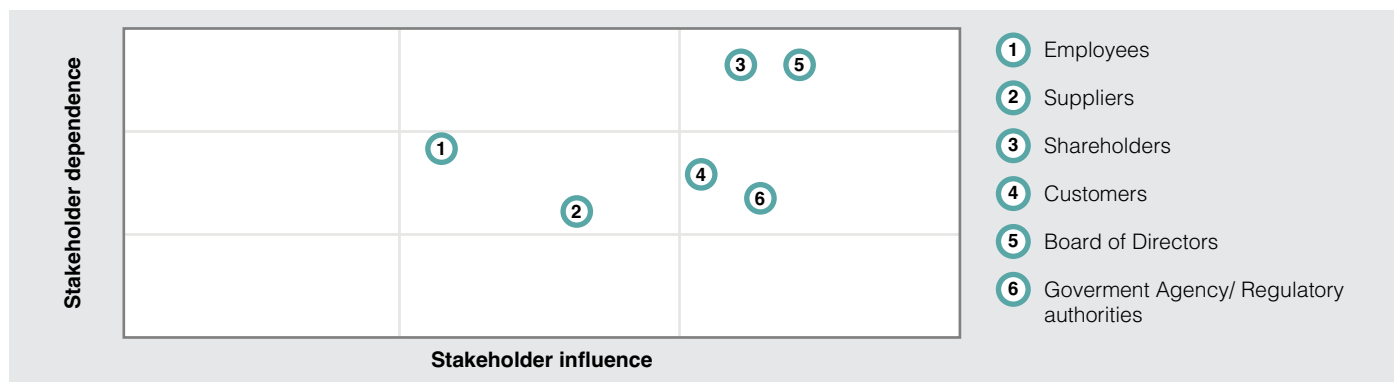
In the pursuit of sustainability, we believe managing stakeholders' expectation is important in the conduct of business. We continuously reach out to them in order to appreciate their concerns and to obtain feedback on our jobs so we could improve on. It also provides opportunities for future potential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

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

SUSTAINABILITY STATEMENT

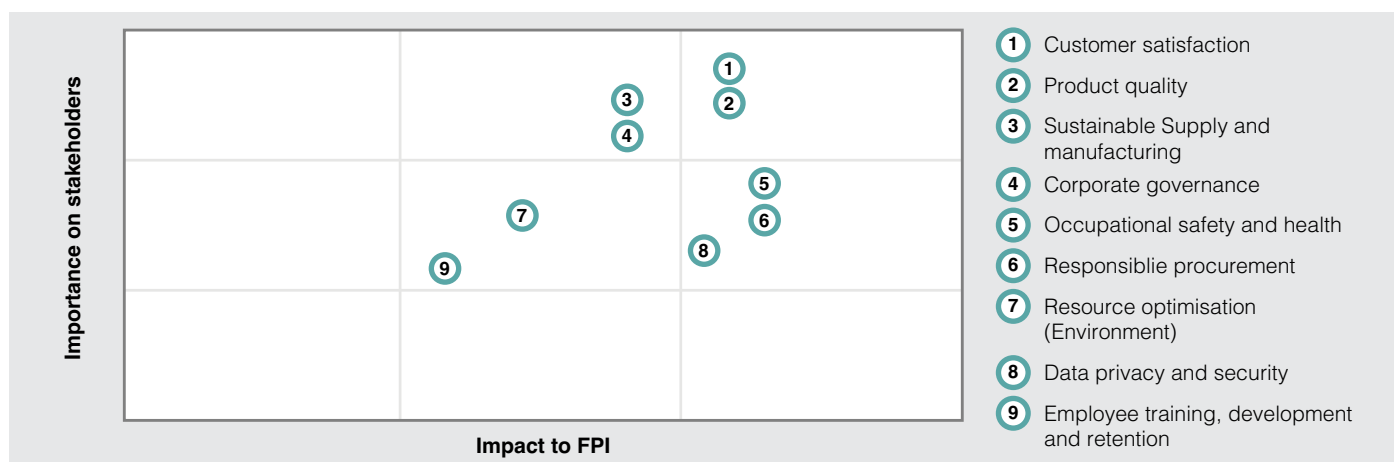
Stakeholder	Channel for Engagement	Area of Interest	Responses
Employees	<ul style="list-style-type: none"> • Induction training • Learning and development programmes • Performance appraisal • Company organised events 	<ul style="list-style-type: none"> • Career development opportunities • Remuneration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

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



Material Sustainability Matters

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



SUSTAINABILITY STATEMENT

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

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

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

SUSTAINABILITY STATEMENT

Sustainability matters	Policy	Activities	Performance Indicators
Occupational safety and health (“OSH”)	<ul style="list-style-type: none"> • OSH procedures • COVID-19 pandemic standard operating procedures (“SOP”) 	<ul style="list-style-type: none"> • Seek for continuous improvement in our OSH performance by considering evolving community expectations practices • Compliance with applicable laws and regulations • Train and hold individual employees accountable for their area of responsibility • Implement management systems to identify, assess, monitor and control hazards and review performance, to identify risks • Openly communicate with our employees, the government and the community on OSH issues • Periodically review the Group’s OSH Policy for effectiveness and suitability • CCTV (Closed Circuit Television) • Collaboration with local 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 	<ul style="list-style-type: none"> • Occupational injury and illness tracking and reporting • Monitoring and measuring cleanliness of toilet, canteen and management facilities and eating environment
Corporate Governance	Fair and sound corporate management system that enables quick and accurate decision making to accommodate an ever-changing business environment, and to execute business strategy and operations Governance	<ul style="list-style-type: none"> • BOD meetings • Management meetings • Risk Management • Regulatory compliance • Information security and personal information protection 	

SUSTAINABILITY
STATEMENT

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

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

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

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

SUSTAINABILITY STATEMENT

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

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.

SUSTAINABILITY
STATEMENT

APPENDIX

Table 1

Diversity table	2020		2019	
	Directors	Staff	Directors	Staff
Breakdown by Gender				
Male	6	2417	6	2526
Female	-	1024	-	1223
Total	6	3441	6	3749
Breakdown by Age Group				
< 30	-	1843	-	2227
30 - 50	-	1398	-	1355
> 50	6	200	6	167
Total	6	3441	6	3749
Breakdown by Ethnicity				
Malay	-	453	-	535
Chinese	3	250	3	234
Indian	-	233	-	236
Japanese	-	15	-	11
Taiwanese	3	4	3	3
China	-	-	-	-
Bangladeshi	-	1081	-	1143
Indonesian	-	281	-	405
Myanmese	-	524	-	515
Nepalese	-	568	-	635
Pakistanese	-	24	-	24
Vietnamese	-	5	-	5
Siamese	-	3	-	3
Total	6	3441	6	3749

Table 2

Electricity Usage	FY2020	FY2019	FY2018
Revenue (RM'000)	765,988	766,198	560,519
Electricity Voltage ('000 kw)	23,966	24,082	26,751
Electricity Value (RM'000)	9,828	10,383	10,923

Table 3

Water Consumption	FY2020	FY2019	FY2018
Revenue (RM'000)	765,988	766,198	560,519
Cubic Meter ('000 m3)	94	102	132
Value (RM'000)	169	185	229

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

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

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Board Responsibilities

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

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

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

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (continued)

1.2 Board Charter

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

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

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

1.3 Code of Ethics and Conduct

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

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

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

1.4 Sustainability Policy

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (continued)

1.5 Whistleblowing Policy

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

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

2. STRENGTHEN COMPOSITION

2.1 Board Committees

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

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

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

2.2 Audit Committee

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

2.3 Nomination Committee

The members of the Nomination Committee are as follows:-

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

2. STRENGTHEN COMPOSITION (continued)

2.3 Nomination Committee (continued)

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

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

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

During the financial year under review, the Committee held two (2) meetings to resolve the following agenda:-

- (a) reviewed the Directors who were due for retirement by rotation and re-appointment;
- (b) reviewed Board's representation and required mix of skills and experience and assessed the effectiveness of the Board as a whole;
- (c) reviewed the current size and composition of the Board;
- (d) assessment and evaluation of effectiveness of the Board, Board Committees and Individual Director where the main criteria adopted are directors' experience and skills in areas of management, operations, marketing, training & human resource, financial and statutory & regulatory compliance;
- (e) deliberated on the findings of the assessments and reported the findings to the Board; and
- (f) reviewed and deliberated on the appointment of a new Director in Year 2020.

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

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

2.4 Re-election of Directors

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

2. STRENGTHEN COMPOSITION (continued)

2.5 Board Diversity Policy

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

2.6 Remuneration Committee

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

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

The members of the Remuneration Committee are as follows:-

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

The term of reference of the Remuneration Committee is available for viewing at www.fp-group.com. For the financial year 2020, 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	941,860	28,000	1,049,860
Non-Executive Directors	160,000	93,600	-	253,600
Total	240,000	1,035,460	28,000	1,303,460

CORPORATE GOVERNANCE OVERVIEW STATEMENT

2. STRENGTHEN COMPOSITION (continued)

2.6 Remuneration Committee (continued)

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

	Non Executive Directors	Executive Directors
RM50,000 - RM100,000	Lim Chung Yin Leow Ing Seng Chen Ching Sen Shen Ching Yao Huang Ying Hao	- - - - -
RM150,000 - RM1,200,000	-	Shih Chao Yuan Koh Meng Ching

3. REINFORCE INDEPENDENCE

3.1 Board Composition and Balance

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

3. REINFORCE INDEPENDENCE (continued)

3.1 Board Composition and Balance (continued)

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

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

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

3.2 Annual Assessment of Independence of Directors

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

4. FOSTER COMMITMENT

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

4.1 Board Meeting and Attendance

The Board meets at least four (4) times a year and has a formal schedule of matters reserved for it. Additional meetings are held as and when necessary. During the financial year ended 31 December 2020, 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

4. FOSTER COMMITMENT (continued)

4.1 Board Meeting and Attendance (continued)

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

	Total Number of Meetings	Number of Meetings Attended
Shih Chao Yuan	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 (Appointed on 13 August 2020)	2	2
Shen Ching Yao (Resigned on 26 June 2020)	2	2

4.2 Access to Information

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

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

4.3 Directors' Training

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

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

5.1 Financial Reporting

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

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

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

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

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

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

5.3 Assessment of Suitability and Independence of External Auditors

For FY2020, the Audit Committee has assessed the procedures to assess the suitability and independence of External Auditors vide an annual assessment of the suitability and independence of the External Auditors. The Audit Committee noted for FY2020, BDO PLT, the External Auditors of the Company confirmed that the engagement quality control reviewer and members of the engagement team in the course of their audits were and had been independent for the purpose of the audit in accordance with the terms of relevant professional and regulatory requirements.

The Audit Committee also noted that having served the requisite years, the engagement partner of BDO PLT was rotated. The Audit Committee was satisfied with BDO PLT's technical competency and audit independence during the financial year under review and recommended to the Board the re-appointment of BDO PLT as the External Auditors for the financial year ending 31 December 2021. The Board has in turn, has recommended the same for shareholders' approval at the forthcoming AGM of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING (continued)

5.3 Assessment of Suitability and Independence of External Auditors (continued)

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

The amount of fees paid to the external auditors for the statutory audit and non-audit assignments for 2020 were RM145,992 and RM28,000 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 conducted its work based on an annual internal audit plan which was tabled before and approved by the Audit Committee. The internal audit functions are carried out impartially, proficiently and with due professional care. Reports issued by the internal audit for the financial year under review were tabled at Audit Committee meetings. Management was present at such meetings to provide pertinent clarification or additional information to address questions raised by Audit Committee members.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

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

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

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

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

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

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

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

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

OTHER INFORMATION

Utilisation of Proceeds

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

Non-Audit Fees

Non-audit fees of RM28,000 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 2020 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 25 to the financial statements.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors of Formosa Prosonic Industries Berhad is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 December 2020, which has been prepared pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. This statement outlines the nature and state of internal control of the Group during the financial year.

BOARD'S RESPONSIBILITY

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

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

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

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

RISK POLICY

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

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK POLICY (continued)

These objectives will be achieved by:-

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

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.

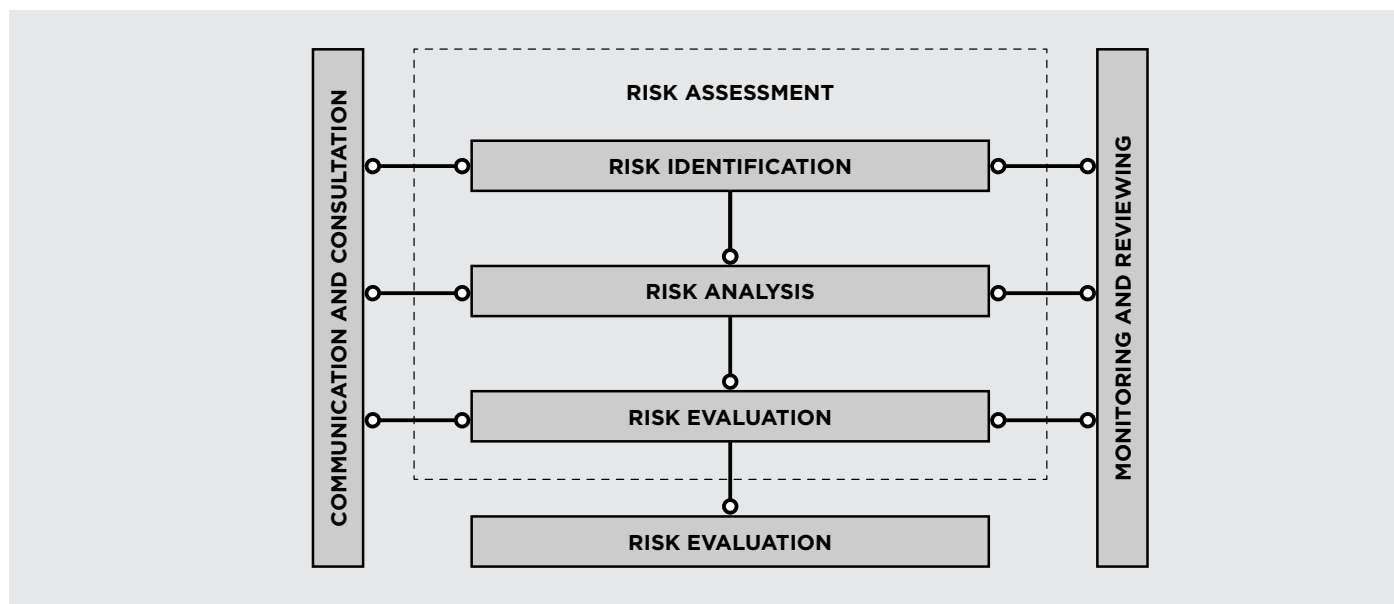
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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 2020. 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

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 28 May 2021.

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 2020.

COMPOSITION

Chairman

Lim Chung Yin
Independent Non-Executive Director

Members

Leow Ing Seng
Senior Independent Non-Executive Director

Chen Ching Sen
Independent Non-Executive Director

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

TERMS OF REFERENCE

Constitution

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

Authority

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

AUDIT COMMITTEE REPORT

Composition

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

Functions

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

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

AUDIT COMMITTEE REPORT

MEETINGS

The Audit Committee met four (4) times during the financial year ended 31 December 2020. 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 2020, 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 2020 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 28 May 2021.

FINANCIAL STATEMENTS

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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 2020.

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	52,512,779	48,073,691
Attributable to:		
Owners of the parent	52,520,804	48,073,691
Non-controlling interests	(8,025)	-
	52,512,779	48,073,691

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 2019:	
First interim single tier dividend of 11.0 sen per ordinary share, paid on 17 April 2020	27,209,409

On 25 February 2021, the Directors declared a first interim single tier dividend of 14.0 sen per ordinary share amounting to RM34,630,157 in respect of the financial year ended 31 December 2020 and was paid to the shareholders on 19 April 2021, whose names appeared on the Record of Depositors of the Company at the close of business on 5 April 2021.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2020.

DIRECTORS' REPORT

(CONTINUED)

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

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

Formosa Prosonic Industries Berhad

Chen Ching Sen
Leow Ing Seng
Lim Chung Yin
Shih Chao Yuan
Koh Meng Ching
Huang Ying Hao
Shen Ching Yao

(Appointed on 13 August 2020)
(Resigned on 26 June 2020)

Subsidiaries of Formosa Prosonic Industries Berhad

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

Cheong Hong Yip
Lim Chun Hooi
Gan Ah Chu

DIRECTORS' REPORT

(CONTINUED)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2020 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

Shares in the Company	Number of ordinary shares			Balance as at 31.12.2020
	Balance as at 1.1.2020	Bought	Sold	
<u>Direct interests:</u>				
Shih Chao Yuan	6,000,000	-	-	6,000,000
Chen Ching Sen	1,500,000	-	-	1,500,000
Leow Ing Seng	200,000	-	-	200,000
Lim Chung Yin	200,000	-	-	200,000
Koh Meng Ching	120,000	-	-	120,000
<u>Deemed interest:</u>				
Shih Chao Yuan #	2,016,000	-	-	2,016,000

Held through spouse

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest as disclosed in Note 25 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.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 20 to the financial statements.

DIRECTORS' REPORT

(CONTINUED)

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

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

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

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

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

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

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

DIRECTORS' REPORT

(CONTINUED)

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

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

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

(III) AS AT THE DATE OF THIS REPORT

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

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 28 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant events subsequent to the end of the reporting period is disclosed in Note 29 to the financial statement.

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 2020 are disclosed in Note 19 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
28 May 2021

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 64 to 120 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 2020 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Shih Chao Yuan
Director

Port Klang
28 May 2021

Chen Ching Sen
Director

STATUTORY DECLARATION

I, Chong Lien Kieung (CA 168885), being the officer primarily responsible for the financial management of Formosa Prosonic Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 64 to 120 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)
28 May 2021)

Chong Lien Kieung

Before me:

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FORMOSA PROSONIC INDUSTRIES BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Formosa Prosonic Industries Berhad, which comprise the statements of financial position as at 31 December 2020 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 64 to 120.

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 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MRFSS"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the *International Ethics Standards Board for Accountants' 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 2020 amounted to RM49,771,656 and RM43,446,580 respectively of which RM1,391,257 and RM1,134,251 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 (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 (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 (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
02982/08/2021 J
Chartered Accountant

Kuala Lumpur
28 May 2021

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	80,482,146	88,609,912	77,485,277	85,602,295
Right-of-use assets	6	38,528,669	40,926,778	20,216,288	21,076,671
Intangible assets	7	-	-	-	-
Investments in subsidiaries	8	-	-	45,483,794	45,483,794
Deferred tax assets	15	-	84,124	-	-
		119,010,815	129,620,814	143,185,359	152,162,760
Current assets					
Inventories	9	49,771,656	47,461,711	43,446,580	42,843,553
Trade and other receivables	10	152,311,021	110,237,049	157,110,485	114,903,086
Current tax assets		746,158	737,069	-	-
Short term funds	11	217,241,102	168,736,241	199,982,764	151,692,586
Cash and bank balances	12	53,101,736	34,959,660	49,852,077	31,541,396
		473,171,673	362,131,730	450,391,906	340,980,621
TOTAL ASSETS		592,182,488	491,752,544	593,577,265	493,143,381
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	13	124,672,999	124,672,999	124,672,999	124,672,999
Reserves	14	210,431,791	185,294,331	173,178,315	152,283,848
		335,104,790	309,967,330	297,851,314	276,956,847
Non-controlling interests	8(c)	10,108,368	10,116,393	-	-
TOTAL EQUITY		345,213,158	320,083,723	297,851,314	276,956,847

STATEMENTS OF
FINANCIAL POSITION

AS AT 31 DECEMBER 2020 (CONTINUED)

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
EQUITY AND LIABILITIES (continued)					
LIABILITIES					
Non-current liabilities					
Lease liabilities	6	1,189,557	2,751,896	64,964	361,349
Deferred tax liabilities	15	4,500,428	4,390,101	4,272,341	4,261,602
		5,689,985	7,141,997	4,337,305	4,622,951
Current liabilities					
Trade and other payables	16	231,556,898	156,038,573	282,932,152	204,255,939
Lease liabilities	6	2,163,573	2,311,490	897,620	1,130,883
Current tax liabilities		7,558,874	6,176,761	7,558,874	6,176,761
		241,279,345	164,526,824	291,388,646	211,563,583
TOTAL LIABILITIES		246,969,330	171,668,821	295,725,951	216,186,534
TOTAL EQUITY AND LIABILITIES		592,182,488	491,752,544	593,577,265	493,143,381

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 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Revenue	18	765,988,354	766,197,738	777,979,973	777,655,210
Cost of sales		(675,454,645)	(691,699,704)	(694,648,775)	(707,702,403)
Gross profit		90,533,709	74,498,034	83,331,198	69,952,807
Other income		16,730,958	19,950,792	15,655,903	18,923,979
Distribution costs		(16,127,861)	(16,703,973)	(14,969,383)	(14,937,006)
Administrative expenses		(12,270,996)	(11,827,680)	(11,214,807)	(10,636,959)
Other expenses		(9,187,102)	(11,124,448)	(7,961,274)	(10,262,704)
Finance costs		(347,224)	(470,140)	(136,617)	(179,602)
Profit before tax	19	69,331,484	54,322,585	64,705,020	52,860,515
Tax expense	21	(16,818,705)	(12,536,151)	(16,631,329)	(12,608,755)
Profit for the financial year		52,512,779	41,786,434	48,073,691	40,251,760
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations		(173,935)	(175,391)	30,185	4,085
Total other comprehensive (loss)/income, net of tax		(173,935)	(175,391)	30,185	4,085
Total comprehensive income for the financial year		52,338,844	41,611,043	48,103,876	40,255,845

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Profit attributable to:					
Owners of the parent		52,520,804	41,750,385	48,073,691	40,251,760
Non-controlling interests	8(c)	(8,025)	36,049	-	-
		52,512,779	41,786,434	48,073,691	40,251,760
Total comprehensive income attributable to:					
Owners of the parent		52,346,869	41,565,584	48,103,876	40,255,845
Non-controlling interests	8(c)	(8,025)	45,459	-	-
		52,338,844	41,611,043	48,103,876	40,255,845
Dividend per ordinary share (sen)					
- First interim dividend	22	11.0	10.0	11.0	10.0
Earnings per ordinary share attributable to equity holders of the Company:					
- Basic and diluted earnings per ordinary share (sen)	23	21.23	16.88		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Group	Note	Non-distributable				Distributable			Total equity RM
		Share capital RM	Capital reserve RM	Exchange translation reserve RM	Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM		
Balance as at 1 January 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	22	-	-	-	(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	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Group	Note	Non-distributable			Distributable			Total attributable to owners of the parent RM	Non- controlling interests RM	Total equity RM
		Share capital RM	Capital reserve RM	Exchange translation reserve RM	Retained earnings RM	Capital reserve RM	Non- controlling interests RM			
Balance as at 1 January 2019		124,672,999	1,259,157	6,396,319	160,809,098	293,137,573	10,801,154	303,938,727		
Profit for the financial year		-	-	-	41,750,385	41,750,385	36,049	41,786,434		
Other comprehensive loss, net of tax		-	-	(184,801)	-	(184,801)	9,410	(175,391)		
Total comprehensive income		-	-	(184,801)	41,750,385	41,565,584	45,459	41,611,043		
Transactions with owners										
Dividend paid	22	-	-	-	(24,735,827)	(24,735,827)	-	(24,735,827)		
Dividend paid to non-controlling interest of a subsidiary		-	-	-	-	-	(730,220)	(730,220)		
Total transactions with owners		-	-	-	(24,735,827)	(24,735,827)	(730,220)	(25,466,047)		
Balance as at 31 December 2019		124,672,999	1,259,157	6,211,518	177,823,656	309,967,330	10,116,393	320,083,723		

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Company	Note	← Non-distributable →		Distributable	Total equity RM
		Share capital RM	Exchange translation reserve RM	Retained earnings RM	
Balance as at 1 January 2019		124,672,999	481,036	136,282,794	261,436,829
Profit for the financial year		-	-	40,251,760	40,251,760
Other comprehensive income, net of tax		-	4,085	-	4,085
Total comprehensive income		-	4,085	40,251,760	40,255,845
Transaction with owners					
Dividend paid	22	-	-	(24,735,827)	(24,735,827)
Total transaction with owners		-	-	(24,735,827)	(24,735,827)
Balance as at 31 December 2019/ 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	22	-	-	(27,209,409)	(27,209,409)
Total transaction with owners		-	-	(27,209,409)	(27,209,409)
Balance as at 31 December 2020		124,672,999	515,306	172,663,009	297,851,314

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		69,331,484	54,322,585	64,705,020	52,860,515
Adjustments for:					
Depreciation of property, plant and equipment	5	12,069,061	12,863,991	11,819,709	12,683,182
Depreciation of right-of-use assets	6	3,346,314	3,207,090	1,808,588	1,669,363
Dividend income		-	-	-	1,095,330
Gain on disposal of property, plant and equipment	19	-	(28,270)	-	(28,270)
Impairment losses on:					
- investment in a subsidiary	8(e)	-	-	-	381,490
- trade receivables	10(f)	366,581	2,640,946	366,581	2,638,488
Income distribution from short term funds		(2,934,288)	(3,662,034)	(2,502,178)	(3,064,568)
Interest expense on lease liabilities		277,968	410,329	73,468	126,236
Interest income		(117,917)	(233,427)	(110,697)	(182,511)
Inventories written down	9(c)	349,604	423,315	284,353	312,570
Net unrealised loss/(gain) on foreign exchange		217,139	(100,259)	460,651	84,135
Reversal of impairment losses on trade receivables	10(f)	(2,109,507)	-	(2,109,387)	-
Operating profit before working capital changes		80,796,439	69,844,266	74,796,108	68,575,960
Changes in working capital:					
Inventories		(2,658,639)	(207,748)	(887,380)	(2,276,632)
Trade and other receivables		(40,011,010)	(7,196,305)	(40,357,726)	(8,906,353)
Trade and other payables		75,940,174	15,963,829	79,331,018	31,464,769
Cash generated from operations		114,066,964	78,404,042	112,882,020	88,857,744
Tax paid, net of refund		(15,451,332)	(7,106,890)	(15,438,579)	(7,843,211)
Net cash from operating activities		98,615,632	71,297,152	97,443,441	81,014,533

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Advances to subsidiaries		-	-	(14,662)	(8,881,044)
Income distribution from short term funds		2,934,288	3,662,034	2,502,178	3,064,568
Interest received		117,917	233,427	110,697	182,511
(Placement)/Withdrawal of deposits placed with licensed banks with original maturity of more than three (3) months		(4,134)	32,681	-	-
Proceeds from disposal of property, plant and equipment		-	28,270	-	28,270
Purchase of property, plant and equipment	5	(3,894,275)	(9,964,150)	(3,702,691)	(9,588,192)
Net cash used in investing activities		(846,204)	(6,007,738)	(1,104,478)	(15,193,887)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to ordinary shareholders of the Company	22	(27,209,409)	(24,735,827)	(27,209,409)	(24,735,827)
Dividends paid to non-controlling interest of a subsidiary		-	(730,220)	-	-
Payments of lease liabilities		(2,936,429)	(2,792,011)	(1,551,321)	(1,406,904)
Net cash used in financing activities		(30,145,838)	(28,258,058)	(28,760,730)	(26,142,731)
Net increase in cash and cash equivalents		67,623,590	37,031,356	67,578,233	39,677,915
Cash and cash equivalents at beginning of financial year		203,562,644	167,663,537	183,233,982	144,758,302
Effects of exchange rate changes on cash and cash equivalents		(980,787)	(1,132,249)	(977,374)	(1,202,235)
Cash and cash equivalents at end of financial year	12(d)	270,205,447	203,562,644	249,834,841	183,233,982

STATEMENTS OF
CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities (Note 6)	
	Group RM	Company RM
At 1 January 2019	6,513,739	1,841,571
Non-cash flows		
- Accretion of interest expense	410,329	126,236
- Addition of lease liabilities	931,329	931,329
Cash flows		
- Repayments	(2,792,011)	(1,406,904)
At 31 December 2019/1 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	3,353,130	962,584

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

1. CORPORATE INFORMATION

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

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

The consolidated financial statements for the financial year ended 31 December 2020 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 28 May 2021.

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 64 to 120 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 2020 (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) (2019: 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.

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)
<hr/>			
Revenue from external customers	765,988,354	-	765,988,354
<hr/>			
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
<hr/>			
Segment profit before tax	69,163,696	167,788	69,331,484
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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (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
2019			
Revenue			
Total revenue	862,874,533	-	862,874,533
Inter-segment revenue	(96,676,795)	-	(96,676,795)
Revenue from external customers	766,197,738	-	766,197,738
Operating profit/(loss)	43,421,774	(37,894)	43,383,880
Gain on disposal of property, plant and equipment	28,270	-	28,270
Income distribution from short term funds	3,662,034	-	3,662,034
Interest income	228,893	4,534	233,427
Net exchange (loss)/ gain on unrealised foreign exchange	(127,716)	227,975	100,259
Net exchange gain on realised foreign exchange	6,630,944	283,771	6,914,715
Segment profit before tax	53,844,199	478,386	54,322,585

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

4. OPERATING SEGMENTS (continued)

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

2019	Malaysia RM	United Kingdom RM	Total RM
Assets			
Segment assets	488,194,377	2,736,974	490,931,351
Liabilities			
Segment liabilities	160,142,020	959,939	161,101,959
Other information			
Capital expenditure	9,964,150	-	9,964,150
Depreciation of property, plant and equipment	12,830,653	33,338	12,863,991
Depreciation of right-of-use assets	3,207,090	-	3,207,090
Impairment losses on trade receivables	2,640,946	-	2,640,946
Inventories written down	423,315	-	423,315

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

	2020 RM	2019 RM
Profit for the financial year		
Total profit for reportable segments	69,331,484	54,322,585
Income tax expense	(16,818,705)	(12,536,151)
Profit for the financial year	52,512,779	41,786,434
Assets		
Total assets for reportable segments	591,436,330	490,931,351
Deferred tax assets	-	84,124
Current tax assets	746,158	737,069
Assets of the Group	592,182,488	491,752,544
Liabilities		
Total liabilities for reportable segments	234,910,028	161,101,959
Deferred tax liabilities	4,500,428	4,390,101
Current tax liabilities	7,558,874	6,176,761
Liabilities of the Group	246,969,330	171,668,821

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (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

	2020	2019
	RM	RM
Malaysia	765,988,354	766,197,738

(b) Non-current assets

	2020	2019
	RM	RM
Malaysia	116,738,126	127,277,561
United Kingdom	2,272,689	2,259,129
	119,010,815	129,536,690

Major customers

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

	Revenue	
	2020	2019
- Customer A	36.6%	41.8%
- Customer B	29.0%	25.1%
- Customer C	27.7%	24.7%
	93.3%	91.6%

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 RM	Additions RM	Depreciation charge for the financial year RM	Exchange differences RM	Balance as at 31.12.2019 RM	At 31.12.2019		
							Cost RM	Accumulated depreciation RM	Carrying amount RM
Carrying amount									
Freehold land and buildings	2,245,592	-	-	(33,338)	46,875	2,259,129			
Freehold land	5,975,870	-	-	-	-	5,975,870			
Leasehold land	19,973,134	(19,973,134)	-	-	-	-			
Buildings	36,053,542	-	4,996,330	(1,667,344)	-	39,382,528			
Plant and machinery	36,744,919	-	4,707,012	(8,705,477)	-	32,746,454			
Motor vehicles	804,573	-	-	(225,484)	-	579,089			
Furniture, fittings and equipment	1,601,176	-	238,808	(589,498)	-	1,250,486			
Renovations	7,201,329	-	22,000	(1,468,514)	-	5,754,815			
Electrical installations	835,877	-	-	(174,336)	-	661,541			
	111,436,012	(19,973,134)	9,964,150	(12,863,991)	46,875	88,609,912			
							Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land and buildings				2,688,575	(429,446)	2,259,129			
Freehold land				5,975,870	-	5,975,870			
Buildings				56,196,542	(16,814,014)	39,382,528			
Plant and machinery				93,117,372	(60,370,918)	32,746,454			
Motor vehicles				1,561,609	(982,520)	579,089			
Furniture, fittings and equipment				5,126,459	(3,875,973)	1,250,486			
Renovations				15,383,850	(9,629,035)	5,754,815			
Electrical installations				5,255,799	(4,594,258)	661,541			
				185,306,076	(96,696,164)	88,609,912			

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

Leasehold land	45 - 99 years
Freehold land and buildings	2%
Buildings	2% - 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.

6. LEASES

The Group as lessee

Right-of-use assets	Balance as at 1.1.2020 RM	Additions RM	Depreciation RM	Modification of lease* RM	Balance as at 31.12.2020 RM
Carrying amount					
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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

6. LEASES (continued)

The Group as lessee (continued)

Lease liabilities	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
Carrying amount						
Buildings	5,063,386	981,858	(2,936,429)	277,968	(33,653)	3,353,130

	Balance as at 1.1.2019 RM	Additions RM	Lease payments RM	Interest expense RM	Balance as at 31.12.2019 RM
Carrying amount					
Buildings	6,513,739	931,329	(2,792,011)	410,329	5,063,386

The Company as lessee

Right-of-use assets	Balance as at 1.1.2020 RM	Additions RM	Depreciation RM	Modification of lease* RM	Balance as at 31.12.2020 RM
Carrying amount					
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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

6. LEASES (continued)**The Company as lessee (continued)**

Lease liabilities	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
Carrying amount						
Buildings	1,492,232	981,858	(1,551,321)	73,468	(33,653)	962,584

Carrying amount	Balance as at 1.1.2019 RM	Additions RM	Lease payments RM	Interest expense RM	Balance as at 31.12.2019 RM	
Buildings		1,841,571	931,329	(1,406,904)	126,236	1,492,232

* Modification of lease arising from termination.

Represented by:	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current liabilities	2,163,573	2,311,490	897,620	1,130,883
Non-current liabilities	1,189,557	2,751,896	64,964	361,349
	3,353,130	5,063,386	962,584	1,492,232
Lease liabilities owing to non-financial institutions	3,353,130	5,063,386	962,584	1,492,232

(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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

6. LEASES (continued)

(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	
	2020 RM	2019 RM	2020 RM	2019 RM
Depreciation charge of right-of-use assets	3,346,314	3,207,090	1,808,588	1,669,363
Interest expense on lease liabilities	277,968	410,329	73,468	126,236
Rental expense relating to short term leases	44,057	382,278	40,360	382,278
	<u>3,668,339</u>	<u>3,999,697</u>	<u>1,922,416</u>	<u>2,177,877</u>

(e) At the end of the financial year, the Group and the Company had total cash outflows for leases of RM2,936,429 (2019: RM2,792,011) and RM1,551,321 (2019: 1,406,904) respectively.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

6. LEASES (continued)

(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:

31 December 2020	Weighted average incremental borrowing rate per annum %	Within 1 year RM	1 - 2 years RM	Total RM
Group				
Lease liabilities				
Floating rates	5.75% - 7.00%	2,163,573	1,189,557	3,353,130
<hr/>				
31 December 2019				
Lease liabilities				
Floating rates	7.00%	2,311,490	2,751,896	5,063,386
<hr/>				
Company				
31 December 2020				
Lease liabilities				
Floating rates	5.75%	897,620	64,964	962,584
<hr/>				
31 December 2019				
Lease liabilities				
Floating rates	7.00%	1,130,883	361,349	1,492,232

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

31 December 2020	On demand or within one year RM	One to two years RM	Total RM
Group			
Lease liabilities	2,307,177	1,219,976	3,527,153
<hr/>			
31 December 2019			
Lease liabilities	2,571,647	2,911,889	5,483,536

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

6. LEASES (continued)

(h) 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: (continued)

31 December 2020	On demand or within one year RM	One to two years RM	Total RM
Company			
Lease liabilities	922,070	65,720	987,790
<hr/>			
31 December 2019			
Lease liabilities	1,186,540	372,525	1,559,065

(i) 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.

The Group as a lessor

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

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

	Group and Company	
	2020	2019
	RM	RM
Not later than one (1) year	2,542,008	2,542,008
Later than one (1) year and not later than five (5) years	2,330,174	4,872,182
	<hr/>	<hr/>
	4,872,182	7,414,190

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

7. INTANGIBLE ASSETS

Group	Cost RM	Accumulated amortisation and impairment RM	Carrying amount RM
At 31 December 2020			
Computer software	1,318,124	(1,318,124)	-
At 31 December 2019			
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	
	2020 RM	2019 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 2020 (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				Principal activities
		Company		Subsidiaries		
		2020 %	2019 %	2020 %	2019 %	
Formosa Prosonic Manufacturing Sdn. Bhd.	Malaysia	100	100	-	-	Inactive
Acoustic Energy Limited*	United Kingdom	100	100	-	-	Ceased operations
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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

8. INVESTMENTS IN SUBSIDIARIES (continued)

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

2020	Winmax Holdings Group Limited*	Heracles Enterprises Limited	Total
NCI percentage of ownership interest and voting interest	-	30.00%	
Carrying amount of NCI (RM)	-	10,108,368	10,108,368
Loss allocated to NCI (RM)	-	(8,025)	(8,025)
Total comprehensive loss allocated to NCI (RM)	-	(8,025)	(8,025)
2019			
NCI percentage of ownership interest and voting interest	40.00%	30.00%	
Carrying amount of NCI (RM)	-	10,116,393	10,116,393
(Loss)/Profit allocated to NCI (RM)	(275)	36,324	36,049
Total comprehensive income allocated to NCI (RM)	9,135	36,324	45,459

* Winmax Holdings Group Limited was struck off in previous financial year.

(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:

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (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):

2020	Heracles Enterprises Limited RM	
Results		
Revenue		-
Loss for the financial year		(26,752)
Total comprehensive loss		(26,752)
<hr/>		
Cash flows used in operating activities		(138,802)
Cash flows from investing activities		430,280
<hr/>		
Net increase in cash and cash equivalents		291,478
<hr/>		
2019	Winmax Holdings Group Limited RM	Heracles Enterprises Limited RM
Assets and liabilities		
Non-current assets	-	16,396,766
Current assets	-	17,378,302
Current liabilities	-	(54,966)
<hr/>		
Net assets	-	33,720,102
<hr/>		
Results		
Revenue	-	-
(Loss)/Profit for the financial year	(690)	121,081
Total comprehensive income	22,838	121,081
<hr/>		
Cash flows from/(used in) operating activities	172,272	(191,505)
Cash flows from investing activities	-	594,716
<hr/>		
Net increase in cash and cash equivalents	172,272	403,211
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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

8. INVESTMENTS IN SUBSIDIARIES (continued)

- (e) In the previous financial year, impairment losses on investment in a subsidiary, Winmax Holdings Group Limited (“Winmax”), amounting to RM381,490 had been recognised in the profit and loss as Winmax had been struck off in the previous financial year. The total investment cost and accumulated impairment losses of RM11,381,490 had also been adjusted accordingly.

9. INVENTORIES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At cost				
Raw materials	26,848,096	26,970,663	22,133,850	22,994,143
Work-in-progress	8,426,787	6,402,230	7,802,518	6,215,177
Finished goods	13,105,516	8,790,974	12,375,961	8,496,777
	48,380,399	42,163,867	42,312,329	37,706,097
At net realisable value				
Work-in-progress	2,290	544	2,290	544
Finished goods	1,388,967	5,297,300	1,131,961	5,136,912
	1,391,257	5,297,844	1,134,251	5,137,456
	49,771,656	47,461,711	43,446,580	42,843,553

- (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 RM526,922,715 (2019: RM546,756,466) and RM564,338,513 (2019: RM580,530,069) respectively. In addition, the amounts recognised in the cost of sales include:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Inventories written down	349,604	423,315	284,353	312,570

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 2020 (CONTINUED)

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade receivables				
Third parties	109,390,643	79,022,137	108,842,127	78,413,440
Amount owing by a related party	41,247,341	27,545,906	41,247,341	27,545,906
Amounts owing by subsidiaries	-	-	11,502,195	11,602,504
	150,637,984	106,568,043	161,591,663	117,561,850
Less: Impairment losses				
- Third parties	(1,111,032)	(2,853,958)	(950,582)	(2,693,388)
- Amounts owing by subsidiaries	-	-	(6,206,813)	(6,206,813)
	149,526,952	103,714,085	154,434,268	108,661,649
Other receivables				
Other receivables	966,061	4,412,431	1,471,429	4,892,891
Deposits	1,207,011	1,309,001	992,877	1,094,867
	2,173,072	5,721,432	2,464,306	5,987,758
Total receivables	151,700,024	109,435,517	156,898,574	114,649,407
Prepayments				
Prepayments	610,997	801,532	211,911	253,679
	152,311,021	110,237,049	157,110,485	114,903,086

- (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 (2019: 30 to 90 days). They are recognised at their original invoices amounts, which represent their fair values on initial recognition.
- (c) Trade amounts owing by subsidiaries are subject to normal trade credit terms of 30 to 90 days (2019: 30 to 90 days).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (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	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	58,817,106	47,540,578	58,827,815	47,559,509
United States Dollar	92,874,629	61,886,826	97,989,915	67,040,537
Pound Sterling	8,289	8,113	-	-
New Taiwan Dollar	-	-	80,844	49,361
	151,700,024	109,435,517	156,898,574	114,649,407

- (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 other expenses in statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (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 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
31 December 2019					
Expected loss rate	0.3%	0.4%	3.1%	91.1%	
Gross carrying amount (RM)	53,546,635	47,894,862	2,479,479	2,647,067	106,568,043
Impairment (RM)	185,512	180,424	76,247	2,411,775	2,853,958
Company					
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
31 December 2019					
Expected loss rate	0.3%	0.4%	3.1%	88.9%	
Gross carrying amount (RM)	53,059,672	47,885,285	2,479,479	2,534,910	105,959,346
Impairment (RM)	183,190	180,288	76,247	2,253,663	2,693,388

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (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
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
2019			
At 1 January 2019	-	213,012	213,012
Charge for the financial year	586,459	2,054,487	2,640,946
At 31 December 2019	586,459	2,267,499	2,853,958
Company			
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
2019			
At 1 January 2019	-	6,261,713	6,261,713
Charge for the financial year	584,001	2,054,487	2,638,488
At 31 December 2019	584,001	8,316,200	8,900,201

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

10. TRADE AND OTHER RECEIVABLES (continued)

- (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:
- 95.0% (2019: 93.7%) of the trade receivables of the Group were due from 3 major customers, who are multi-industry conglomerates.
 - 92.0% (2019: 89.4%) of the trade receivables of the Company were due from 3 major customers, who are multi-industry conglomerates.
 - 3.4% (2019: 4.7%) 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Effects of foreign currencies strengthen by 3% against RM				
Profit after tax	2,117,731	1,411,205	2,236,013	1,529,650

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 2020 (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	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	167,529,880	118,434,082	150,271,542	101,407,854
United States Dollar	49,711,222	50,302,159	49,711,222	50,284,732
	217,241,102	168,736,241	199,982,764	151,692,586

- (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	
	2020 RM	2019 RM	2020 RM	2019 RM
Effects of foreign currencies strengthen by 3% against RM				
Profit after tax	1,133,416	1,146,889	1,133,416	1,146,492

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 2020 (CONTINUED)

12. CASH AND BANK BALANCES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and bank balances	33,064,345	11,594,453	30,852,077	8,309,446
Deposits with licensed banks	20,037,391	23,365,207	19,000,000	23,231,950
	53,101,736	34,959,660	49,852,077	31,541,396

- (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 1.64% (2019: 2.37%) and with a maturity period ranging from 4 days to 256 days (2019: 2 days to 257 days).
- (c) Sensitivity analysis for fixed rate cash and bank balances at the end of the reporting period is not presented as the profit or loss is not affected by changes in interest rates.
- (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	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and bank balances	33,064,345	11,594,453	30,852,077	8,309,446
Deposits with licensed banks	20,037,391	23,365,207	19,000,000	23,231,950
Short term funds (Note 11)	217,241,102	168,736,241	199,982,764	151,692,586
	270,342,838	203,695,901	249,834,841	183,233,982
Less:				
Deposits placed with licensed banks with original maturity of more than three (3) months	(137,391)	(133,257)	-	-
	270,205,447	203,562,644	249,834,841	183,233,982

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

12. CASH AND BANK BALANCES (continued)

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	31,331,386	32,452,675	28,877,059	29,833,520
United States Dollar	20,352,332	1,116,375	20,170,335	923,325
Chinese Renminbi	217,230	190,251	78,193	53,924
Japanese Yen	4,905	4,744	4,905	4,744
Singapore Dollar	97	97	97	97
New Taiwan Dollar	721,488	725,786	721,488	725,786
Pound Sterling	474,298	469,732	-	-
	53,101,736	34,959,660	49,852,077	31,541,396

(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	
	2020 RM	2019 RM	2020 RM	2019 RM
Effects of foreign currencies strengthen by 3% against RM				
Profit after tax	496,364	57,159	478,230	38,940

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 2020 (CONTINUED)

13. SHARE CAPITAL

	Group and Company			
	Number of shares	2020 RM	Number of shares	2019 RM
Issued and fully paid				
Balance as at 1 January/ 31 December	247,358,266	124,672,999	247,358,266	124,672,999

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

14. RESERVES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Non-distributable:				
Capital reserve	1,259,157	1,259,157	-	-
Exchange translation reserve	1,528,736	6,211,518	515,306	485,121
	2,787,893	7,470,675	515,306	485,121
Distributable:				
Retained earnings	207,643,898	177,823,656	172,663,009	151,798,727
	210,431,791	185,294,331	173,178,315	152,283,848

(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 2020 (CONTINUED)

15. DEFERRED TAX

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Deferred tax assets	-	84,124	-	-
Deferred tax liabilities	(4,500,428)	(4,390,101)	(4,272,341)	(4,261,602)
	(4,500,428)	(4,305,977)	(4,272,341)	(4,261,602)

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Balance as at 1 January	4,305,977	4,777,545	4,261,602	4,649,046
Recognised in profit or loss (Note 21)	194,451	(471,568)	10,739	(387,444)
Balance as at 31 December	4,500,428	4,305,977	4,272,341	4,261,602

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

Deferred tax liabilities of the Group

	Property, plant and equipment RM	Other temporary differences RM	Total RM
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
2019			
At 1 January 2019	4,480,207	297,338	4,777,545
Recognised in profit or loss	142,999	(530,443)	(387,444)
At 31 December 2019	4,623,206	(233,105)	4,390,101

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

15. DEFERRED TAX (continued)

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

Deferred tax assets of the Group

2020	Unused tax losses RM	Total RM
At 1 January 2020	(84,124)	(84,124)
Recognised in profit or loss	84,124	84,124
<hr/>		
At 31 December 2020	-	-
<hr/>		
2019		
At 1 January 2019	-	-
Recognised in profit or loss	(84,124)	(84,124)
<hr/>		
At 31 December 2019	(84,124)	(84,124)
<hr/>		

Deferred tax liabilities of the Company

2020	Property, plant and equipment RM	Other temporary differences RM	Total RM
At 1 January 2020	4,494,707	(233,105)	4,261,602
Recognised in profit or loss	(95,926)	106,665	10,739
<hr/>			
At 31 December 2020	4,398,781	(126,440)	4,272,341
<hr/>			
2019			
At 1 January 2019	4,351,708	297,338	4,649,046
Recognised in profit or loss	142,999	(530,443)	(387,444)
<hr/>			
At 31 December 2019	4,494,707	(233,105)	4,261,602
<hr/>			

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

15. DEFERRED TAX (continued)

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

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

	Group	
	2020 RM	2019 RM
Unused tax losses		
- Expires by 31 December 2025	1,433,419	5,752,057
Unabsorbed capital allowances	162,922	162,922
Others	580	(682,753)
	1,596,921	5,232,226

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

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

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade payables				
Third parties	136,314,646	92,846,490	123,132,028	84,397,190
Amount owing to a related party	33,075,163	27,510,240	33,075,163	27,510,240
Amounts owing to subsidiaries	-	-	23,497,597	14,580,904
	169,389,809	120,356,730	179,704,788	126,488,334
Other payables				
Amounts owing to subsidiaries	-	-	45,075,811	45,090,473
Other payables	14,044,408	8,176,906	13,226,701	7,616,918
Accruals	36,142,985	26,177,003	33,090,715	23,911,657
	50,187,393	34,353,909	91,393,227	76,619,048
Contract liabilities	11,979,696	1,327,934	11,834,137	1,148,557
	231,556,898	156,038,573	282,932,152	204,255,939

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

16. TRADE AND OTHER PAYABLES (continued)

- (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 (2019: 30 to 120 days).
- (c) Trade amounts owing to subsidiaries were subject to normal trade credit terms of 30 to 120 days (2019: 30 to 120 days).

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

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	153,992,170	98,443,580	213,271,127	151,081,467
United States Dollar	67,759,753	51,690,375	65,776,158	50,712,636
Chinese Renminbi	8,552,354	4,491,783	3,756,072	2,016,540
Japanese Yen	7,862	452,896	-	445,296
New Taiwan Dollar	71,179	-	71,179	-
Pound Sterling	1,115,964	959,939	-	-
Singapore Dollar	47,929	-	47,929	-
Euro	9,687	-	9,687	-
	231,556,898	156,038,573	282,932,152	204,255,939

- (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	
	2020 RM	2019 RM	2020 RM	2019 RM
Effects of foreign currencies strengthen by 3% against RM				
Profit after tax	(1,768,476)	(1,313,166)	(1,588,271)	(1,212,378)

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

16. TRADE AND OTHER PAYABLES (continued)

- (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.

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At beginning of the year	1,327,934	4,073,884	1,148,557	4,073,884
Net revenue recognised during the financial year	(5,080,844)	(5,884,329)	(5,080,844)	(5,812,018)
Net cash receipts in advance	15,732,606	3,138,379	15,766,424	2,886,691
At end of the year	11,979,696	1,327,934	11,834,137	1,148,557

- (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:

	2020 RM	2021 RM	Total RM
Group			
31 December 2020	-	11,979,696	11,979,696
31 December 2019	1,327,934	-	1,327,934
Company			
31 December 2020	-	11,834,137	11,834,137
31 December 2019	1,148,557	-	1,148,557

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

17. COMMITMENTS

Capital commitments

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Capital expenditure in respect of purchase of property, plant and equipment:				
- approved but not contracted for	-	53,000	-	53,000
- contracted but not provided for	5,083,636	1,203,820	5,081,176	1,173,120
	5,083,636	1,256,820	5,081,176	1,226,120

18. REVENUE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Revenue from contracts with customers				
Sale of goods	765,988,354	766,197,738	777,979,973	777,655,210
Timing of revenue recognition				
Point in time	765,988,354	766,197,738	777,979,973	777,655,210

Sale of products and services rendered

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

19. PROFIT BEFORE TAX

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
After charging:				
Auditors' remuneration:				
BDO PLT				
- Statutory audit	126,500	126,500	98,500	98,500
- Non-statutory audit	3,000	3,000	3,000	3,000
Other auditors:				
- Statutory audit	19,492	16,581	-	-
Impairment losses on trade receivables	366,581	2,640,946	366,581	2,638,488
Impairment loss on investment in a subsidiary	-	-	-	381,490
Realised loss on foreign exchange	1,043,937	213	909,949	-
Rental expense	44,057	382,278	40,360	382,278
Research and development costs	1,538,189	1,743,713	1,303,897	1,476,674
Unrealised loss on foreign exchange	1,923,310	2,594,430	1,899,154	2,528,540
And crediting:				
Dividend income	-	-	-	1,095,330
Gain on disposal of property, plant and equipment	-	28,270	-	28,270
Income distribution from short term funds	2,934,288	3,662,034	2,502,178	3,064,568
Interest income	117,917	233,427	110,697	182,511
Realised gain on foreign exchange	4,035,155	6,914,928	4,035,155	6,032,835
Rental income	4,107,410	3,905,518	3,970,733	3,692,027
Reversal of impairment losses on trade receivables	2,109,507	-	2,109,387	-
Unrealised gain on foreign exchange	1,706,171	2,694,689	1,438,503	2,444,405

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

20. DIRECTORS' REMUNERATION

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors of the Company				
Executive: (Note 24)				
Director's fees	80,000	56,000	80,000	56,000
Short term employee benefits	881,300	1,030,000	881,300	1,030,000
Defined contribution plans	60,560	38,993	60,560	38,993
	1,021,860	1,124,993	1,021,860	1,124,993
Non-Executive:				
Director's fees	160,000	192,000	160,000	192,000
Short term employee benefits	93,600	118,500	93,600	118,500
	253,600	310,500	253,600	310,500
Total	1,275,460	1,435,493	1,275,460	1,435,493

Estimated monetary value of benefits-in-kind provided to the Director of the Company is RM28,000 (2019: RM28,000).

21. TAX EXPENSE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current tax expense based on profit for the financial year:				
Malaysian income tax	15,848,482	12,490,518	15,846,874	12,479,413
Under provision in prior years:				
Malaysian income tax	775,772	517,201	773,716	516,786
	16,624,254	13,007,719	16,620,590	12,996,199

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

21. TAX EXPENSE (continued)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Deferred tax (Note 15)				
Relating to origination and reversal of temporary differences	(172,105)	(912,362)	(355,817)	(828,238)
Under provision in prior years	366,556	440,794	366,556	440,794
	194,451	(471,568)	10,739	(387,444)
Total tax expense	16,818,705	12,536,151	16,631,329	12,608,755

- (a) Malaysian income tax is calculated at the statutory tax rate of 24% (2019: 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit for the financial year	52,512,779	41,786,434	48,073,691	40,251,760
Add: Total tax expense	16,818,705	12,536,151	16,631,329	12,608,755
Profit before tax	69,331,484	54,322,585	64,705,020	52,860,515

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

21. 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	
	2020 %	2019 %	2020 %	2019 %
Applicable tax rate	24.0	24.0	24.0	24.0
Tax effects in respect of:				
Different tax rate in foreign jurisdiction	-*	0.1	-*	-
Non-allowable expenses	1.4	1.3	1.3	1.6
Non-taxable income	(1.4)	(3.4)	(1.4)	(3.5)
Movement in unrecognised deferred tax assets	(1.3)	(0.7)	-	-
	22.7	21.3	23.9	22.1
Under provision in prior years:				
- current tax	1.1	1.0	1.2	1.0
- deferred tax	0.5	0.8	0.6	0.8
Average effective tax rate	24.3	23.1	25.7	23.9

* 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
2020			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	(173,935)	-	(173,935)
2019			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	(175,391)	-	(175,391)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

21. 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
2020			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	30,185	-	30,185
<hr/>			
2019			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	4,085	-	4,085
<hr/>			

22. DIVIDENDS

	Group and Company			
	2020	2020		2019
	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 2019/2018	11.0	27,209,409	10.0	24,735,827
<hr/>				

On 25 February 2021, the Directors declared a first interim single tier dividend of 14.0 sen per ordinary share amounting to RM34,630,157 in respect of the financial year ended 31 December 2020 and was paid to the shareholders on 19 April 2021, whose names appeared on the Record of Depositors of the Company at the close of business on 5 April 2021.

The financial statements for financial year ended 31 December 2020 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 2021.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

23. EARNINGS PER ORDINARY SHARE

Basic and diluted earnings per ordinary share

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

	2020	Group 2019
Profit for the financial year attributable to equity holders of the parent (RM)	52,520,804	41,750,385
Weighted average number of ordinary shares in issue	247,358,266	247,358,266
Basic and diluted earnings per ordinary share (sen)	21.23	16.88

24. EMPLOYEE BENEFITS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Salaries and allowances	111,406,262	104,022,342	98,303,597	91,728,625
Defined contribution plan	4,976,163	5,154,049	4,497,242	4,622,561
Other employee benefits	7,505,977	8,797,636	6,121,181	7,548,067
	123,888,402	117,974,027	108,922,020	103,899,253

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

24. EMPLOYEE BENEFITS (continued)

Compensation of key management personnel

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Executive Directors				
Remuneration (Note 20)	1,021,860	1,124,993	1,021,860	1,124,993
Other key management personnel				
Short term employee benefits	3,284,850	3,815,930	3,284,850	3,815,930
Defined contribution plans	252,084	274,176	252,084	274,176
	3,536,934	4,090,106	3,536,934	4,090,106
Total compensation of key management personnel	4,558,794	5,215,099	4,558,794	5,215,099

25. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

25. RELATED PARTY DISCLOSURES (continued)

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Subsidiaries:				
Gross dividend income	-	-	-	1,095,330
Purchase of products	-	-	75,418,547	78,756,796
Sale of products	-	-	15,912,971	17,485,407
Related parties:				
Sale of products	212,558,457	189,221,346	212,558,457	189,221,346
Purchase of products	86,800,874	89,940,918	86,800,874	89,940,918

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

(c) Compensation of key management personnel

The key management personnel comprise the Executive Directors and other key management personnel of the Group and their remuneration during the financial year are disclosed in Note 24 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 2020 or entered into since the end of the previous financial year.

26. 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 2020 and 31 December 2019.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

26. CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT (continued)

(a) Capital management (continued)

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 2020.

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

(b) Financial risk management

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

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

(i) Foreign currency risk

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

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

(ii) Interest rate risk

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

26. CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

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

(iii) Credit risk (continued)

Exposure to credit risk

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

27. FINANCIAL REPORTING UPDATES

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

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

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

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

The Group and the Company have implemented the requirements of this final agenda decision during the financial year ended 31 December 2020. There is no material impact on the financial statements of the Group and the Company as at the end of reporting period.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

28. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The World Health Organisation declared the 2019 Novel Coronavirus infection ('COVID-19') a pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ('MCO') on 18 March 2020 and has subsequently entered into various phases of MCO until 7 June 2021.

The Management has assessed the financial impact on the Group and the Company and are of the opinion that there were no material financial impact arising from the pandemic. To mitigate its potential risks exposure, the Group and the Company have taken and will continue to take necessary steps to safeguard and preserve its financial condition, emphasising on liquidity management to meet its continuing financial commitments and liquidity needs of business operations.

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

(a) Proposed ESOS

On 5 May 2021, the Company announced a proposal to establish an Employees' Share Option Scheme ("Proposed ESOS") of up to 10% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time to the eligible Directors and employees of the Company and its subsidiary companies. Only eligible persons of the Group who meet the criteria as set out in the By-Laws are eligible to participate in the Proposed ESOS. The Proposed ESOS, when implemented, shall be in force for a period of 5 years and can be extended for a further period of up to 5 years. The Proposed ESOS is subject to approvals being obtained from Bursa Malaysia Securities Berhad and the shareholders of the Company, at an extraordinary general meeting of the Company.

(b) Proposed Disposal

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 ("Proposed Disposal"). The Proposed Disposal is expected to be completed in third quarter of 2021.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

30. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

30.1 New MFRSs adopted during the financial year

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

Title	Effective Date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>Amendment to MFRS 16 Covid-19-Related Rent Concessions</i>	1 June 2020 (early adopt)
<i>Amendments to MFRS 4 Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020

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

30.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2021

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

Title	Effective Date
<i>Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)</i>	1 January 2021
<i>Covid-19 Related Rent Concessions beyond 30 June 2021 (Amendment to MFRS 16 Leases)</i>	1 April 2021
<i>Annual Improvements to MFRS Standards 2018 - 2020</i>	1 January 2022
<i>Amendments to MFRS 3 Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-current</i>	1 January 2023
<i>MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Disclosure of Accounting Policies (Amendments to MFRS 101 Presentation of Financial Statements)</i>	1 January 2023
<i>Definition of Accounting Estimates (Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)</i>	1 January 2023
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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

ANALYSIS OF SHAREHOLDINGS

AS AT 3 MAY 2021

SHARE CAPITAL

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

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
1 - 99 shares	23	0.282	531	0.000
100 - 1,000 shares	1,826	22.420	1,336,636	0.540
1,001 - 10,000 shares	4,761	58.453	20,764,617	8.395
10,001 - 100,000 shares	1,353	16.611	38,203,204	15.444
100,001 to less than 5% of issued shares	180	2.210	104,793,278	42.365
5% and above of issued shares	2	0.024	82,260,000	33.256
TOTAL	8,145	100.000	247,358,266	100.000

SUBSTANTIAL SHAREHOLDERS

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

DIRECTORS' INTEREST

Name	Direct No. of Shares	Percentage	Indirect No. of Shares	Percentage
1) Shih Chao Yuan	6,000,000	2.426	2,016,000	0.815
2) Chen Ching Sen	1,500,000	0.606	-	-
3) Leow Ing Seng (Shares held under HLB Nominees (Tempatan) Sdn Bhd)	200,000	0.081	-	-
4) Lim Chung Yin (Shares held under Affin Nominees (Tempatan) Sdn Bhd)	200,000	0.081	-	-
5) Huang Ying Hao	-	-	-	-
6) Koh Meng Ching	170,000	0.069	-	-
TOTAL	8,070,000	3.263	2,016,000	0.815

ANALYSIS OF SHAREHOLDINGS

AS AT 3 MAY 2021 (CONTINUED)

LIST OF TOP 30 SHAREHOLDERS

Name	No. of Shares Held	Percentage
1) Wistron Corporation	69,260,000	27.999
2) Chang Song Hai	13,000,000	5.255
3) HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Manulife Investment Shariah Progress Fund	8,265,000	3.341
4) Wu Swee Ngor	6,393,400	2.584
5) Shih Chao Yuan	6,000,000	2.425
6) HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chee Sai Mun	4,595,100	1.857
7) Tan Lee Hwa	4,400,000	1.778
8) Akros Trading Malaysia Sdn Bhd	4,267,704	1.725
9) RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Fong Siling (CEB)	3,000,000	1.212
10) Wang, Wei-Nan	2,738,400	1.107
11) Au Yong Mun Yue	2,600,000	1.051
12) Foo Khen Ling	2,400,000	0.970
13) Shih Huang Hsiu Fang	2,016,000	0.815
14) Chang, Kei-Poi	2,010,000	0.812
15) CIMB Group Nominees (Asing) Sdn. Bhd. Exempt An For DBS Bank Ltd (SFS)	1,964,437	0.794
16) DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Affin Hwang Asset Management Berhad For Malaysian Timber Council (Operating Fund)	1,684,400	0.680
17) UOBM Nominees (Tempatan) Sdn Bhd UOB Asset Management (Malaysia) Berhad For Gibraltar BSN Aggressive Fund	1,598,100	0.646
18) DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt An For Affin Hwang Asset Management Berhad (TSTAC/CLNT-T)	1,569,900	0.634
19) Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Joseph Lam Wai	1,550,000	0.626
20) Chen Ching Sen	1,500,000	0.606
21) DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Affin Hwang Asset Management Berhad For Malaysian Timber Council	1,458,700	0.589
22) Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chee Sai Mun (E-KLC)	1,404,700	0.567
23) Loh Kam Mooi	1,186,900	0.479
24) Malacca Equity Nominees (Tempatan) Sdn Bhd Exempt An For Philip Capital Management Sdn Bhd (EPF)	1,138,300	0.460
25) Lim Kok Heng	1,035,900	0.418
26) HSBC Nominees (Asing) Sdn Bhd SG Nantes For Civetta Nanjia Fund (Nanjia Cap ICAV)	1,035,563	0.418
27) Yeo Khee Huat	1,000,000	0.404
28) Yeoh Yew Choo	998,000	0.403
29) HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Loo Seng Hock	966,200	0.390
30) Chew Yongzhi	790,000	0.319
TOTAL	151,826,704	61.364

LIST OF PROPERTIES

Location	Description	Tenure	Valuation/ Acquisition/ Completion Date	Approximate Age of Building (Years)	Approximate Site Area (Sq.Ft)	Built-up/ Lettable Area (Sq.Ft)	Carrying Amount (RM)	Existing Use
No. 1 Lebu 1 Bandar Sultan Suleiman Taiwanese Industrial Park 42000 Port Klang Selangor Darul Ehsan	Double storey office block location at the front portion and a connecting single factory to the rear	Leasehold (99 years Expiring 30/12/2093)	May 1993	31	349,232	234,680	9,217,005	For Factories Cum Offices
No. 1 Lebu 1 Bandar Sultan Suleiman Taiwanese Industrial Park 42000 Port Klang Selangor Darul Ehsan	Single storey factory cum office (Building No. E1) Single storey factory cum office (Building No. E2) Double storey factory cum office (Building No. E4)	Leasehold (99 years Expiring 30/12/2093)	November 1999	31	365,060	221,287	15,350,950	For Factories Cum Offices
Plot 119C & 252, Taman Ria Kawasan Perusahaan LPK 08000 Sungai Petani Kedah Darul Aman	Single storey factories and office block with mezzanine floor at production area and guard house	Leasehold (60 years expiring 31/05/2051)	Plot 119C - May 1993 Plot 252 - July 2006	28	196,020	136,409	2,458,121	For Factories Cum Offices
16, Bridge Road, Cirencester Gloucestershire GL7 1 NJ United Kingdom	Double storey factory block with connecting warehouse facility	Freehold	May 1995	28	43,560	14,000	2,272,689	For Warehouse Cum Offices
9F, No.36 Aly 38 Lane 358, Ruei-Guang Road Neihu District Taipei City 11492 Taiwan	Office building	Freehold	November 2009	13	-	4,532	8,204,480	For Office

LIST OF
PROPERTIES

(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 storey office	Double storey office block location at the front portion and a connecting single storey office	Leasehold (60 years expiring 31/5/2050)	August 2015	21	423,775	193,314	12,691,527	For Office Cum Factory
	Warehouse facility		August 2015	12				For Storage
B278 Jalan 12 Cinta Sayang Resort Homes 08000 Sungai Petani Kedah Darul Aman	Double storey semi-detached house	Freehold	August 2015	12	3,200	3,120	495,903	For Staff Accommodation
Jalan Alauddin 5 Bandar Sultan Suleiman Kawasan Perindustrian Fasa 4 Pelabuhan Klang Utara Bandar Diraja Klang, Selangor	Vacant land	Leasehold (60 years expiring 08/06/2071)	June 2011	10	861,747	N/A	16,077,866	Vacant
No.3 Lebuhr Sultan Mohamad 2 Kawasan Perindustrian Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor Darul Ehsan	Single storey factory cum office Warehouse facility	Leasehold (99 years expiring 21/09/2093)	October 2017	30	113,075	60,858	10,193,857	For Factory and storage
74 units PKNS Apartments at Bandar Sultan Suleiman	Medium to low cost apartments	Leasehold (99 years expiring 11/07/2103)	27 May 2019	11	-	56,554	4,147,986	For Workers Accommodation

FORMOSA PROSONIC INDUSTRIES BERHAD

(Company No.: 198801004954 (172312-K))
(Incorporated In Malaysia)

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/or _____ 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-Third Annual General Meeting ("AGM") of the Company to be held at **Crown Hall, Level 1, Crystal Crown Hotel Harbour View, 217 Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan** on **Tuesday, 29 June 2021** at **10.00 a.m.** and at any adjournment thereof.

My/Our proxy is to vote as indicated below:

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

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

Signed this _____ day of _____

Signature/Common Seal of Member(s)

Contact:

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

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

Notes:

1. 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 **21 June 2021** 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.
2. Members/proxies/corporate representatives who wish to attend the meeting in person **ARE REQUIRED TO PRE-REGISTER** with the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, via the **TIIH Online** website at <https://tiih.online> no later than **Sunday, 27 June 2021** at 10.00 a.m. Please follow the Pre-Register Procedures in the Administrative Guide for the AGM.
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.
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.

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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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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 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.