

# FORMOSA PROSONIC

## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2021

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The figures have not been audited

### 1. Accounting policies

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 "Interim Financial Reporting" and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2020.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2020, except for the adoption of the following new MFRSs and Amendments to MFRSs that are effective for the financial statements effective from 1 January 2021, as disclosed below:

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

The adoption of the amendment did not have any impact on the Group.

### Amendments to MFRS that are applicable to the Group but not yet effective

The Malaysian Accounting Standards Board had issued the following amendments to MFRS of which are effective for the financial period beginning on or after 1 January 2022.

- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022)
- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022)
- Amendments to MFRS 116 'Proceeds before Intended Use' (effective 1 January 2022)
- Amendments to MFRS 137 'Onerous contracts – cost of fulfilling a contract' (effective 1 January 2022)
- MFRS 17 Insurance Contracts and Amendments to MFRS 17 (effective 1 January 2023)
- Amendments to MFRS 101 'Classification of liabilities as current or non-current (effective 1 January 2023)
- Amendments to MFRS 101 – 'Disclosure of accounting policies' (effective 1 January 2023)
- Amendments to MFRS 108 – 'Definition of accounting estimates' (effective 1 January 2023)
- Amendments to MFRS 112 – 'Deferred tax related to assets and liabilities arising from a single transaction'

The Group did not early adopt these amendments to MFRS and they are not expected to have a material impact to the Group.

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### 2. Audit qualification

The audit report on the financial statements for the financial year ended 31 December 2020 was not qualified.

### 3. Seasonal or cyclical factors

Demands for speaker systems and its related products are generally seasonal and are affected by economic conditions in countries in which the products are sold.

### 4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income and cash flow for the current financial year.

### 5. Changes in estimates of amount reported

There were no significant changes in estimates of amount reported in prior interim period or prior financial year that have a material effect in the current financial year.

### 6. Issuance and repayment of debt and equity securities

There were no issuance and repayment of debt and equity securities, share buy-back, share cancellation, shares held as treasury shares and resale of treasury shares for the financial year to date.

### 7. Dividend paid

	Current year to date RM'000	Preceding year to date RM'000
First interim single tier of 14.0 sen per ordinary share for the financial year ended 31 December 2020 (31 December 2019 : 11.0 sen per ordinary share)	<b>34,630</b>	27,209

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### 8. Segmental reporting

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

	Malaysia RM'000	UK (Discontinued operations) RM'000	Elimination RM'000	Total RM'000
<b>9-month ended 30-9-2021</b>				
Revenue				
External	678,341	-	-	678,341
Inter-segment sales	95,237	-	(95,237)	-
Total revenue	<u>773,578</u>	-	<u>(95,237)</u>	<u>678,341</u>
Results				
Segment results	83,063	5,913	(330)	88,646
Finance cost	(171)	(1)	-	(172)
Profit before tax				<u>88,474</u>
Tax expense				<u>(19,833)</u>
Profit for the period				<u>68,641</u>
<b>9-month ended 30-9-2020</b>				
Revenue				
External	513,180	-	-	513,180
Inter-segment sales	61,430	-	(61,430)	-
Total revenue	<u>574,610</u>	-	<u>(61,430)</u>	<u>513,180</u>
Results				
Segment results	52,325	(455)	4	51,874
Finance cost	(278)	-	-	(278)
Profit before tax				<u>51,596</u>
Tax expense				<u>(11,901)</u>
Profit for the period				<u>39,695</u>

### 9. Valuation of property, plant and equipment

The valuations of property, plant and equipment have been brought forward without any amendments from the previous annual financial statements which are deemed at cost upon the adoption of MFRS.

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### 10. Subsequent events

There were no material events subsequent to 30 September 2021 that have not been reflected in the interim report.

### 11. Changes in composition of the Group

There were no changes in the composition of the Group during the current quarter and financial period ended 30 September 2021.

### 12. Contingent liabilities or contingent assets

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

### 13. Related Party Disclosures

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

	Individual		Cumulative	
	Current Quarter 30/9/2021 RM'000	Preceding Year Quarter 30/9/2020 RM'000	Current Quarter 30/9/2021 RM'000	Preceding Year Quarter 30/9/2020 RM'000
Sales of speakers to Wistron	<b>47,114</b>	79,070	<b>153,360</b>	139,389
Parts supply by Wistron	<b>21,171</b>	35,743	<b>69,476</b>	57,416

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### 14. Review of performance

	Individual			Cumulative		
	Current	Preceding	Changes	Current	Preceding	Changes
	Quarter	Year		Quarter	Year	
30/9/2021	30/9/2020	%	30/9/2021	30/9/2020	%	
	RM'000	RM'000		RM'000	RM'000	
Revenue	<b>236,921</b>	281,048	(15.7)	<b>678,341</b>	513,180	32.2
Profit before tax	<b>32,462</b>	33,407	(2.8)	<b>88,474</b>	51,596	71.5
Profit after tax	<b>24,949</b>	25,834	(3.4)	<b>68,641</b>	39,695	72.9
Profit attributable to ordinary equity holders of the parent	<b>24,969</b>	25,839	(3.4)	<b>68,679</b>	39,694	73.0
EBITDA	<b>35,731</b>	36,791	(2.9)	<b>97,822</b>	61,078	60.2

#### Third quarter ended 30 September 2021

The Group recorded lower sales of RM236.9 million, a decrease of 15.7% from the previous year's corresponding quarter of RM281.0 million mainly attributable to lower production volume. The decline was mainly due to plant closure in Port Klang to comply with imposition of Enhanced MCO in most parts of the Selangor State and the Group's operations were carried out with restricted workers' attendance in compliance with the National Recovery Plan (Phase 1).

During this quarter, the Group has accounted for gain on disposal of property of RM5.6 million as well as stock option expenses of RM6.3 million. Lower sales have resulted in lower profitability with lower earnings before interest, tax, depreciation and amortization ("EBITDA") of RM35.7 million for the current quarter compared to RM36.8 million in the previous year's corresponding quarter.

#### Financial year-to-date ended 30 September 2021

The Group recorded higher sales of RM678.3 million, an increase of 32.2% from the previous year's corresponding quarter of RM513.2 million mainly due to higher sales volume. As such, this has resulted in higher EBITDA of RM97.8 million for the current quarter compared to RM61.1 million in the previous year's corresponding quarter.

In respect of the Group financial position, it remains solid with net cash position. The Group remains mindful on trade receivables collection which was within normal range of 60 to 90 days and the higher inventory level which is required to support subsequent production and delivery requirement.

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### 15. Comparison with previous quarter's results

	Current Quarter 30/9/2021 RM'000	Preceding Quarter 30/6/2021 RM'000	Changes %
Revenue	<b>236,921</b>	233,182	1.6
Profit before tax	<b>32,462</b>	29,420	10.3
Profit after tax	<b>24,949</b>	23,185	7.6
Profit attributable to ordinary equity holders of the parent	<b>24,969</b>	23,193	7.7
EBITDA	<b>35,731</b>	32,503	9.9

The Group recorded higher sales of RM236.9 million or an increase of 1.6% in the current quarter compared to RM233.2 million in the immediate preceding quarter mainly due to higher sales volume and change in sales mix. This has resulted in the Group to record higher EBITDA of RM35.7 million as compared RM32.5 million in the immediate preceding quarter.

### 16. Current Year Prospects

The Group has since September 2021 been allowed to operate with full workers' attendance after almost all its employees had their 2 doses vaccination jabs. Nevertheless, there still have been challenges arising from shortage of materials, port delays and rising commodity and energy prices which have gained traction that have impacted our operations.

The Group is aware of these circumstances, will monitor the market situation closely and take necessary steps to minimize any adverse impact and to optimize its operations to adapt to volatile business environment. Notwithstanding the above and barring unforeseen circumstances, the Board of Directors expects the Group to achieve profitable results for the financial year ending 31 December 2021 on the back of prevailing sales orders.

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### 17. Deviation from profit forecast and profit guarantee

Not applicable.

### 18. Notes to the statement of comprehensive income

	Individual		Cumulative	
	Current Quarter 30/9/2021 RM'000	Preceding Year Quarter 30/9/2020 RM'000	Current Quarter 30/9/2021 RM'000	Preceding Year Quarter 30/9/2020 RM'000
Profit for the period is arrived at after charging / (crediting):				
Income from short term funds	<b>(358)</b>	(499)	<b>(1,726)</b>	(2,274)
Interest income	<b>(15)</b>	(14)	<b>(45)</b>	(91)
Interest expenses	<b>3</b>	3	<b>36</b>	38
Addition to / (Reversal of) impairment loss on trade receivables	<b>852</b>	576	<b>1,453</b>	(1,505)
Interest - Lease liabilities	<b>39</b>	66	<b>133</b>	219
Depreciation and amortization	<b>2,777</b>	2,987	<b>8,462</b>	9,082
Amortisation of right-of-use assets	<b>824</b>	840	<b>2,487</b>	2,507
Foreign exchange loss / (gain)	<b>(2,783)</b>	970	<b>(11,938)</b>	(6,005)
Derivatives loss / (gain)	-	(140)	-	-
Gain on disposal of property, plant and equipment	<b>(5,587)</b>	-	<b>(5,651)</b>	-
Share option expenses	<b>6,263</b>	-	<b>6,263</b>	-

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### 19. Taxation

	Individual		Cumulative	
	Current Quarter 30/9/2021 RM'000	Preceding Year Quarter 30/9/2020 RM'000	Current Quarter 30/9/2021 RM'000	Preceding Year Quarter 30/9/2020 RM'000
In respect of current period:				
- Income tax	<b>7,145</b>	8,320	<b>18,659</b>	12,703
- Deferred tax	<b>(209)</b>	(749)	<b>597</b>	(804)
In respect of prior year :-				
- Income tax	-	2	-	2
Real property gains tax (United Kingdom)				
- Income tax	<b>705</b>	-	<b>705</b>	-
- Deferred tax	<b>(128)</b>	-	<b>(128)</b>	-
	<b>7,513</b>	7,573	<b>19,833</b>	11,901

The effective tax rate of the Group for the current quarter is lower than the statutory tax rate mainly due to certain items which are not taxable.

### 20. Corporate proposals

There is no corporate proposal announced but not completed as at the date of this report.

### 21. Group borrowings (interest bearing) and debt securities

The Group does not have any borrowings and debt securities as at 30 September 2021.

### 22. Material litigation

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



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### 23. Dividend

The Group paid a first interim single tier tax exempt dividend of 14.0 sen per share in respect of the financial year ended 31 December 2020 (31 December 2019: 11.0 sen per share) 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.

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

### 24. Earnings per share

#### (a) Basic

	Individual		Cumulative	
	Current	Preceding	Current	Preceding
	Quarter	Year	Quarter	Year
	30/9/2021	30/9/2020	30/9/2021	30/9/2020
Net profit attributable to equity holders of the parent (RM'000)	<b>24,969</b>	25,839	<b>68,679</b>	39,694
Weighted average number of shares ('000)	<b>247,358</b>	247,358	<b>247,358</b>	247,358
Basic earnings per share (sen)	<b>10.1</b>	10.4	<b>27.8</b>	16.0

#### (a) Diluted

	Individual		Cumulative	
	Current	Preceding	Current	Preceding
	Quarter	Year	Quarter	Year
	30/9/2021	30/9/2020	30/9/2021	30/9/2020
Net profit attributable to equity holders of the parent (RM'000)	<b>24,969</b>	NA	<b>68,679</b>	NA
Weighted average number of shares ('000)	<b>252,002</b>	NA	<b>252,002</b>	NA
Diluted earnings per share (sen)	<b>9.9</b>	NA	<b>27.3</b>	NA