

# FORMOSA PROSONIC

## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2023

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 2022.

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 2022, except for the adoption of the following Amendments to MFRSs that are effective for the financial statements effective from 1 January 2023, as disclosed below:

| <b>Title</b>   | <b>Effective Date</b> |
|--|-----------------------|
| Amendments to MFRS 101, Presentation of Financial Statements – Disclosure of Accounting Policies                             | 1 January 2023        |
| Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates | 1 January 2023        |
| Amendments to MFRS 112, Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction      | 1 January 2023        |

Malaysian Accounting Standards Board had issued the following amendments and new standards which are effective for the following financial years:

| <b>Title</b>  | <b>Effective Date</b> |
|---|-----------------------|
| Amendments to MFRS 16, Leases – Lease Liability in a Sale and Leaseback   | 1 January 2024        |
| Amendments to MFRS101, Presentation of Financial Statements – Non-current Liabilities with Covenants  | 1 January 2024        |
| Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Yet to be confirmed   |

The Group and the Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any material effect to the financial statements of the Group and the Company upon their initial applications.

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### 2. Audit qualification

The audit report on the financial statements for the financial year ended 31 December 2022 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 except for a total of 699,500 new ordinary shares were issued pursuant to the exercise of the ESOS for a total cash consideration of RM1,783,725.00 or at an exercise price of RM2.55 a share.

### 7. Dividend paid

|                              | Current year<br>to date<br>RM'000 | Preceding year<br>to date<br>RM'000 |
|------------------------------|-----------------------------------|-------------------------------------|
| There were no dividends paid | -                                 | -                                   |

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### 8. Segmental reporting

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

|                                | Malaysia<br>RM'000 | Elimination<br>RM'000 | Total<br>RM'000 |
|--------------------------------|--------------------|-----------------------|-----------------|
| <b>3-month ended 31-3-2023</b> |                    |                       |                 |
| Revenue                        |                    |                       |                 |
| External                       | 109,235            | -                     | 109,235         |
| Inter-segment sales            | 13,142             | (13,142)              | -               |
| Total revenue                  | <u>122,377</u>     | <u>(13,142)</u>       | <u>109,235</u>  |
| Results                        |                    |                       |                 |
| Segment results                | 12,372             | 86                    | 12,458          |
| Finance cost                   | (32)               | -                     | (32)            |
| Profit before tax              |                    |                       | <u>12,426</u>   |
| Tax expense                    |                    |                       | <u>(2,703)</u>  |
| Profit for the period          |                    |                       | <u>9,723</u>    |
| <b>3-month ended 31-3-2022</b> |                    |                       |                 |
| Revenue                        |                    |                       |                 |
| External                       | 252,061            | -                     | 252,061         |
| Inter-segment sales            | 23,713             | (23,713)              | -               |
| Total revenue                  | <u>275,774</u>     | <u>(23,713)</u>       | <u>252,061</u>  |
| Results                        |                    |                       |                 |
| Segment results                | 27,103             | 309                   | 27,412          |
| Finance cost                   | (41)               | -                     | (41)            |
| Profit before tax              |                    |                       | <u>27,371</u>   |
| Tax expense                    |                    |                       | <u>(6,328)</u>  |
| Profit for the period          |                    |                       | <u>21,043</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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## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2023

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### 10. Subsequent events

There were no material events subsequent to 31 March 2023 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 31 March 2023.

### 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<br>Quarter<br>31/3/2023<br>RM'000 | Preceding<br>Year<br>Quarter<br>31/3/2022<br>RM'000 | Current<br>Quarter<br>31/3/2023<br>RM'000 | Preceding<br>Year<br>Quarter<br>31/3/2022<br>RM'000 |
| Sales of speakers to Wistron | <b>6,889</b>                              | 32,009  | <b>6,889</b>                              | 32,009  |
| Parts supply by Wistron      | <b>1,799</b>                              | 11,851  | <b>1,799</b>                              | 11,851  |

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## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2023

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### 14. Review of performance

|  | Individual     |           |           | Cumulative     |           |         |
|--|----------------|-----------|-----------|----------------|-----------|---------|
|  | Current        | Preceding | Changes   | Current        | Preceding | Changes |
|  | Quarter        | Year      |           | Quarter        | Year      |         |
| 31/3/2023  | 31/3/2022      | %         | 31/3/2023 | 31/3/2022      | %         |         |
|  | RM'000         | RM'000    |           | RM'000         | RM'000    |         |
| Revenue  | <b>109,235</b> | 252,061   | (56.7)    | <b>109,235</b> | 252,061   | (56.7)  |
| Profit before tax  | <b>12,426</b>  | 27,371    | (54.6)    | <b>12,426</b>  | 27,371    | (54.6)  |
| Profit after tax   | <b>9,723</b>   | 21,043    | (53.8)    | <b>9,723</b>   | 21,043    | (53.8)  |
| Profit attributable to ordinary equity holders of the parent | <b>9,715</b>   | 21,056    | (53.9)    | <b>9,715</b>   | 21,056    | (53.9)  |
| EBITDA   | <b>12,135</b>  | 30,137    | (59.7)    | <b>12,135</b>  | 30,137    | (59.7)  |

#### First quarter ended 31 March 2023

The Group recorded lower sales of RM109.2 million, a decrease of 56.7% from the previous year's corresponding quarter of RM252.1 million mainly due to lower sales volume.

Earnings before interest, tax, depreciation and amortization ("EBITDA") dropped significantly to RM12.1 million for the current quarter compared to RM30.1 million in the previous year's corresponding quarter mainly attributable to lower sales.

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 the normal range of 60 to 90 days and the inventory level which is supportive to subsequent production and delivery requirements.

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## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2023

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

|   | Current<br>Quarter<br>31/3/2023<br>RM'000 | Preceding<br>Quarter<br>31/12/2022<br>RM'000 | Changes<br>% |
|---|---|--|--------------|
| Revenue   | <b>109,235</b>                            | 180,728                                      | (39.6)       |
| Profit before tax   | <b>12,426</b>                             | 13,356                                       | (7.0)        |
| Profit after tax  | <b>9,723</b>                              | 8,142  | 19.4         |
| Profit attributable to ordinary equity holders of<br>the parent | <b>9,715</b>                              | 8,141  | 19.3         |
| EBITDA  | <b>12,135</b>                             | 14,199                                       | (14.5)       |

The Group recorded lower sales of RM109.2 million in the current quarter or a decrease of 39.6% when compared to RM180.7 million in the immediate preceding quarter mainly due to lower sales volume. EBITDA dropped 14.5% to RM12.1 million from RM14.2 million in the immediate preceding quarter mainly due to lower sales.

### 16. Current Year Prospects

With persistent strong headwinds from inflationary pressure and still rising interest rates, and inventory adjustments in the market, the Board anticipates that the operating environment continues to be challenging in the coming quarters.

The Group is aware of these circumstances and will continue to monitor the situation closely and take necessary steps to mitigate any adverse impact and to optimize its operations to adapt to the 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 2023.

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## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2023

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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<br>Quarter<br>31/3/2023<br>RM'000 | Preceding<br>Year<br>Quarter<br>31/3/2022<br>RM'000 | Current<br>Quarter<br>31/3/2023<br>RM'000 | Preceding<br>Year<br>Quarter<br>31/3/2022<br>RM'000 |
| Profit for the year is arrived at after charging / (crediting): |   |   |   |   |
| Income from short term funds                                    | <b>(1,920)</b>                            | (532)   | <b>(1,920)</b>                            | (532)   |
| Interest income   | <b>(1,458)</b>                            | (27)  | <b>(1,458)</b>                            | (27)  |
| Interest expenses   | <b>21</b>                                 | 32  | <b>21</b>                                 | 32  |
| Addition to / (Reversal of)                                     |   |   |   |   |
| impairment loss on trade receivables                            | <b>(536)</b>                              | 557   | <b>(536)</b>                              | 557   |
| Interest - Lease liabilities                                    | <b>10</b>                                 | 8   | <b>10</b>                                 | 8   |
| Depreciation and amortization                                   | <b>2,506</b>                              | 2,747   | <b>2,506</b>                              | 2,747   |
| Amortisation of right-of-use assets                             | <b>550</b>                                | 538   | <b>550</b>                                | 538   |
| Foreign exchange loss / (gain)                                  | <b>(3,886)</b>                            | (3,959)   | <b>(3,886)</b>                            | (3,959)   |
| Gain / (loss) on disposal of property, plant and equipment      | <b>(1)</b>                                | (3)   | <b>(1)</b>                                | (3)   |

# FORMOSA PROSONIC

## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2023

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### 19. Taxation

|                               | Individual                                |   | Cumulative                                |   |
|-------------------------------|---|---|---|---|
|                               | Current<br>Quarter<br>31/3/2023<br>RM'000 | Preceding<br>Year<br>Quarter<br>31/3/2022<br>RM'000 | Current<br>Quarter<br>31/3/2023<br>RM'000 | Preceding<br>Year<br>Quarter<br>31/3/2022<br>RM'000 |
| In respect of current period: |   |   |   |   |
| - Income tax                  | 1,438                                     | 6,178   | 1,438                                     | 6,178   |
| - Deferred tax                | 1,265                                     | 150   | 1,265                                     | 150   |
|                               | <b>2,703</b>                              | 6,328   | <b>2,703</b>                              | 6,328   |

The effective tax rate of the Group for the current quarter and year to-date was lower than the 24% statutory tax rate mainly attributed 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 31 March 2023.

### 22. Material litigation

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



# FORMOSA PROSONIC

## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2023

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### 23. Dividend

The Group paid a first interim single tier tax exempt dividend of 21.0 sen per share in respect of the financial year ended 31 December 2022 (31 December 2021: 20.0 sen per share) on 28 April 2023 to shareholders whose names appeared in the Record of Depositors of the Company at the close of business on 7 April 2023.

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      |
|  | 31/3/2023      | 31/3/2022 | 31/3/2023      | 31/3/2022 |
| Net profit attributable to equity holders of the parent (RM'000) | <b>9,715</b>   | 21,056    | <b>9,715</b>   | 21,056    |
| Weighted average number of shares ('000)                         | <b>256,519</b> | 253,436   | <b>256,519</b> | 253,436   |
| Basic earnings per share (sen)                                   | <b>3.79</b>    | 8.31      | <b>3.79</b>    | 8.31      |

#### (a) Diluted

|  | Individual     |           | Cumulative     |           |
|--|----------------|-----------|----------------|-----------|
|  | Current        | Preceding | Current        | Preceding |
|  | Quarter        | Year      | Quarter        | Year      |
|  | 31/3/2023      | 31/3/2022 | 31/3/2023      | 31/3/2022 |
| Net profit attributable to equity holders of the parent (RM'000) | <b>9,715</b>   | 21,056    | <b>9,715</b>   | 21,056    |
| Weighted average number of shares ('000)                         | <b>257,182</b> | 254,994   | <b>257,182</b> | 254,994   |
| Diluted earnings per share (sen)                                 | <b>3.78</b>    | 8.26      | <b>3.78</b>    | 8.26      |