

FORMOSA PROSONIC

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2024

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 2023.

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 2023, 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:

Title	Effective Date
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 112 <i>International Tax Reform – Pillar Two Model Rules</i>	Refer paragraph 98M of MFRS 112

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

The following are Standard and Amendments of the MFRS Framework that have been issued by MASB but have not been early adopted by the Group and the Company:

Title	Effective Date
Amendments to MFRS 16 <i>Lease liability in a sale and leaseback</i>	1 January 2024
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to MFRS 101 <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 121 <i>Lack of Exchangeability</i>	1 January 2025
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group and the Company will adopt the above Standard and Amendments when they become effective in the respective financial periods. These 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 2023 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 the 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 810,000 new ordinary shares were issued pursuant to the exercise of the ESOS for a total cash consideration of RM2,065,500.00 at an exercise price of RM2.55 a share.

7. Dividend paid

	Current year to date RM'000	Preceding year to date RM'000
There were no dividends paid	-	-

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8. Segmental reporting

Segmental reporting is not separately presented as the Group is principally engaged in the manufacturing and sales of high quality speaker systems, which are substantially within a single operating segment. The Group operates primarily in Malaysia.

For the purpose of resources allocation and performance assessment, the chief operating decision-maker reviews the profit from operations of the Group as disclosed in the statements of profit or loss and other comprehensive income.

All non-current assets of the Group are located in Malaysia and the external revenue of the Group are derived from Malaysia, being the Group's country of domicile.

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.

10. Subsequent events

There were no material events subsequent to 31 March 2024 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 2024.

12. Contingent liabilities or contingent assets

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

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13. Related Party Disclosures

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

	Individual		Cumulative	
	Current Quarter	Preceding Year Quarter	Current Quarter	Preceding Year Quarter
	31/03/2024	31/03/2023	31/03/2024	31/03/2023
	RM'000	RM'000	RM'000	RM'000
Sales of speakers to Wistron	9,718	6,889	9,718	6,889
Parts supply by Wistron	2,998	1,799	2,998	1,799

14. Review of performance

	Individual			Cumulative		
	Current Quarter	Preceding Year Quarter	Changes	Current Quarter	Preceding Year Quarter	Changes
	31/03/2024	31/03/2023	%	31/03/2024	31/03/2023	%
	RM'000	RM'000		RM'000	RM'000	
Revenue	149,204	109,235	36.6	149,204	109,235	36.6
Profit before tax	36,651	12,426	195.0	36,651	12,426	195.0
Profit after tax	28,650	9,723	194.7	28,650	9,723	194.7
Profit attributable to ordinary equity holders of the parent	28,650	9,715	194.9	28,650	9,715	194.9
EBITDA	33,503	12,135	176.1	33,503	12,135	176.1

First quarter ended 31 March 2024

The Group recorded significantly higher sales of RM149.2 million, a rise of 36.6% from the previous year’s corresponding quarter of RM109.2 million mainly due to higher sales volume. Consequently, earnings before interest, tax, depreciation and amortization (“EBITDA”) increased 176.1% to RM33.5 million for the current quarter compared to RM12.1 million in the previous year’s corresponding quarter mainly attributable to higher sales and gain on foreign exchange.

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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15. Comparison with previous quarter's results

	Current Quarter 31/03/2024 RM'000	Preceding Quarter 31/12/2023 RM'000	Changes %
Revenue	149,204	153,944	(3.1)
Profit before tax	36,651	37,287	(1.7)
Profit after tax	28,650	32,387	(11.5)
Profit attributable to ordinary equity holders of the parent	28,650	32,387	(11.5)
EBITDA	33,503	35,509	(5.6)

The Group recorded lower sales of RM149.2 million in the current quarter or a drop of 3.1% when compared to RM153.9 million in the immediate preceding quarter mainly due to lower sales volume. Excluding the one-off gain on disposal of subsidiaries of RM20.1 million registered in Q4 FY2023, EBITDA for the current quarter rose to RM33.5 million from RM15.4 million in the immediate previous quarter mainly due to gain on foreign exchange.

16. Current Year Prospects

In view of still persistent strong headwinds from inflationary pressure and high interest rates, the Board anticipates that the operating environment will continue to be challenging in the coming quarters.

The Group is aware of these circumstances and will remain vigilant and 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 2024.

17. Deviation from profit forecast and profit guarantee

Not applicable.

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18. Notes to the statement of comprehensive income

	Individual		Cumulative	
	Current Quarter 31/03/2024 RM'000	Preceding Year Quarter 31/03/2023 RM'000	Current Quarter 31/03/2024 RM'000	Preceding Year Quarter 31/03/2023 RM'000
Profit for the year is arrived at after charging / (crediting):				
Income from short term funds	(3,225)	(1,920)	(3,225)	(1,920)
Interest income	(2,321)	(1,458)	(2,321)	(1,458)
Interest expenses	27	21	27	21
Addition to / (Reversal of)				
impairment gain on trade receivables	(686)	(536)	(686)	(536)
Interest - Lease liabilities	6	10	6	10
Depreciation and amortization	1,975	2,506	1,975	2,506
Amortisation of right-of-use assets	390	550	390	550
Foreign exchange net gain	(14,239)	(3,886)	(14,239)	(3,886)
Gain on disposal of property, plant and equipment	(9)	(1)	(9)	(1)

19. Taxation

	Individual		Cumulative	
	Current Quarter 31/03/2024 RM'000	Preceding Year Quarter 31/03/2023 RM'000	Current Quarter 31/03/2024 RM'000	Preceding Year Quarter 31/03/2023 RM'000
In respect of current period:				
- Income tax	6,071	1,438	6,071	1,438
- Deferred tax	1,930	1,265	1,930	1,265
	8,001	2,703	8,001	2,703

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 that were not taxable.

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20. Corporate proposals

There were no corporate proposals 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 2024.

22. Material litigation

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

23. Dividend

The Group paid a first interim single tier tax exempt dividend of 23.0 sen per share in respect of the financial year ended 31 December 2023 (31 December 2022: 21.0 sen per share) on 30 April 2024 to shareholders whose names appeared in the Record of Depositors of the Company at the close of business on 9 April 2024.

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

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24. Earnings per share

(a) Basic

	Individual		Cumulative	
	Current	Preceding Year	Current	Preceding Year
	Quarter	Quarter	Quarter	Quarter
	31/03/2024	31/03/2023	31/03/2024	31/03/2023
Net profit attributable to equity holders of the parent (RM'000)	28,650	9,715	28,650	9,715
Weighted average number of shares ('000)	255,535	256,519	255,535	256,519
Basic earnings per share (sen)	11.21	3.79	11.21	3.79

(a) Diluted

	Individual		Cumulative	
	Current	Preceding Year	Current	Preceding Year
	Quarter	Quarter	Quarter	Quarter
	31/03/2024	31/03/2023	31/03/2024	31/03/2023
Net profit attributable to equity holders of the parent (RM'000)	28,650	9,715	28,650	9,715
Weighted average number of shares ('000)	255,760	257,182	255,760	257,182
Diluted earnings per share (sen)	11.20	3.78	11.20	3.78