

1 INTRODUCTION TO THE BOARD CHARTER**1.1 General**

1.1.1 This Board Charter sets out the principles governing the Board of Formosa Prosonic Industries Berhad (“FPI”).

1.2 Board Approval

1.2.1 The Board has approved this Board Charter. The Board may approve updates and amendments to this Board Charter from time to time.

1.3 Definitions

1.3.1 Unless the contrary intention is expressed in this Board Charter, the following words (when used in this Board Charter) have the meaning set out below:

- Board means the Board of Directors of FPI from time to time.
- Company means FPI (referred to as Prosonic by its business associates) having its registered office at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.
- Prosonic Group means the Company and its subsidiaries.

2 ROLE OF THE BOARD

2.1 The business of the Prosonic Group is managed under the oversight of the Board which has the authority and responsibility for managing everyday affairs of the Prosonic Group.

2.2 The composition of the Board, as a whole, should reflect a mix of skills and expertise that are appropriate for the Prosonic Group given its circumstances and that, collectively, enables the board to perform its oversight function effectively.

2.3 In giving effect to this Board Charter, each Director will at all times act honestly, fairly, diligently and in all respects in accordance with the law applicable to the Company.

- 2.4 Each Director will at all times act in the interests of shareholders of the Company and of the Company as a whole, and will have regard to the interests of employees and customers of the Prosonic Group and the community and environment in which the Prosonic Group operates.

3 DUTIES AND RESPONSIBILITIES OF THE BOARD

The Board is responsible to shareholders for the management and performance of the Prosonic Group, including the following matters:

3.1 Strategic and Financial Objectives of the Prosonic Group

- 3.1.1 Reviewing, understanding and monitoring the implementation of the Prosonic Group's strategic plans;
- 3.1.2 Reviewing, understanding and overseeing annual operating plans and budgets. The board should monitor implementation of the annual plans to assess whether they are being implemented effectively and within the limits of approved budgets and whether the annual plans are appropriately responsive to changing conditions;
- 3.1.3 Reviewing and approving significant corporate actions including major capital expenditure, capital management and all major corporate transactions including any issue and buy-back of any securities of the Company;
- 3.1.4 Advising management on significant issues facing the corporation and overseeing legal and ethical compliance;
- 3.1.5 Approving all financial reports to be published and related stock exchange announcements;
- 3.1.6 Monitoring other material reporting and external communications by the Company;
- 3.1.7 Approving the dividend policy and payment of dividends;
- 3.1.8 Appointing external auditors (subject to shareholders' approval);

3.2 Managing Director

- 3.2.1 Appointing and removing the Managing Director;
- 3.2.2 Approving the terms of employment of the Managing Director;
- 3.2.3 Managing the performance of, and the succession planning for the Managing Director;

3.3 Company Secretary

- 3.3.1 Appointing and removing the Company Secretary;

3.4 Risk and Compliance Management

- 3.4.1 Reviewing and understanding the Prosonic Group's risk assessment and overseeing the corporation's risk management processes. The board has responsibility for overseeing the significant risks facing the Prosonic Group and the processes that management has implemented to identify and manage risk. The Board, together with senior management, should agree on the appropriate risk profile for the Prosonic Group. The Board should establish an appropriate structure for overseeing risk, involving assistance from committees as appropriate and the designation of senior management responsible for risk management;
- 3.4.2 Approving and monitoring compliance with the Company's Code of Ethics, Code of Conduct and other material policies;
- 3.4.4 Monitoring and reviewing the Prosonic Group's operations in relation to and compliance with legal and regulatory requirements;
- 3.4.5 Dealing with sensitive or unusual matters of a material nature;

3.5 Communication with shareholders

- 3.5.1 Disclosure to and communicating with the Company's shareholders and the community, at the appropriate times, the results of and developments in the business operations of the Prosonic Group; and

3.6 Referrals from Committees

3.6.1 Dealing with matters referred to it by any Board Committee.

4 COMPOSITION AND STRUCTURE OF THE BOARD

4.1 The Board will be constituted in accordance with the Articles of Association of the Company.

4.2 The Company supports the best practice recommendations of corporate governance as set out by the Bursa Malaysia.

4.3 It is the policy of the Board to have at least one-third (1/3) independent Directors and that there is a separation of the roles of Chairman and Managing Director.

5 MEETINGS OF THE BOARD

5.1 The Board will meet in accordance with the Articles of Association of the Company.

5.2 The Chairman will take reasonable measures to ensure that, where possible, a quorum is formed for each meeting and for each agenda item.

5.3 Directors will ordinarily receive relevant Board papers a reasonable time before each meeting.

5.4 The Chairman of the meeting may request the attendance of any person at a meeting who is responsible for, or associated with, a matter included as an agenda item at a meeting.

5.5 The non-executive Directors will meet to conduct a non-executive discussion of Board and management issues as required.

6 BOARD COMMITTEES AND DELEGATION

- 6.1 The Board may establish Committees to assist in the discharge of its responsibilities from time to time.
- 6.2 The Board will adopt Committee Charters in respect of all Committees, addressing the role, duties and responsibilities, composition and structure, administration and any other matters the Board determines relevant to such Committee.
- 6.3 The Board will appoint members to the Committees and make changes to membership.
- 6.4 The Board will regularly evaluate the operations of the Committees.
- 6.5 All Directors will receive copies of Committee papers, including minutes, in respect of each Committee and may attend meetings of Committees of which they are not members.
- 6.6 The Board delegates carriage of the operation and management of the Prosonic Group's business to the Managing Director-and through the Managing Director to other senior management.

7 INDEPENDENT EXTERNAL ADVICE

The Board, an individual Director or a Committee may engage an independent external adviser in relation to any Board matter, at the expense of the Company. Before the external advice is sought, consent needs to be obtained. In the case of:

- a) the Board - from the Chairman;
- b) an individual Director - from the Chairman or the relevant Committee Chairman, as the case may be;
- c) a Committee - from the Committee Chairman.

The Chairman or a Committee Chairman, as applicable, may determine that any external advice received by an individual Director be circulated to the remainder of the Board.

8 BOARD AND COMMITTEE EVALUATION

- 8.1 The Board will use an effective mechanism for evaluating performance on a continuing basis. Meaningful Board evaluation requires an assessment of the effectiveness of the full Board, the operations of Board Committees and the contributions of individual directors.

9 ACCESS TO THIS BOARD CHARTER

- 9.1 This Board Charter will be available for viewing by any person on the Company's website.

10 REVIEW OF CHARTER

- 10.1 The Board will regularly review the Board and Committee Charters and make any changes it determines necessary or desirable.