

### 1. INTRODUCTION

The Board of Directors (“the Board”) has assigned the Audit Committee (“the AC”) of Formosa Prosonic Industries Berhad (“the Company” or “the Group”) to assess, monitor, review and supervise the performance, suitability and independence of external auditors. The objective of this External Auditors Assessment Policy (“the Policy”) is to outline the guidelines and procedures to be undertaken by the AC for the selection and appointment of external auditors.

The independence of the external auditors is the key element of the Company’s policy, the selection criteria will ensure that the external auditors is independent and has the relevant expertise and skill for such an appointment.

### 2. SELECTION AND APPOINTMENT

Pursuant to Section 172(2) of the Companies Act 1965, the Company shall at each annual general meeting appoint or re-appoint the external auditors of the Company, and the external auditors so appointed shall, hold office until the conclusion of the next annual general meeting of the Company.

Should the AC determine a need for a change of external auditors, the AC will follow the following procedures for selection and appointment of new external auditors:-

- (a) the AC to identify the audit firms who meet the criteria for appointment and to request for their proposals of engagement for consideration;
- (b) the AC will assess the proposals received and shortlist the suitable audit firms;
- (c) the AC will meet and/or interview the shortlisted candidates;
- (d) the AC may delegate or seek the assistance of the Head of Finance to perform items (a) to (c) above;
- (e) the AC will recommend the appropriate audit firm to the Board for appointment as external auditors; and
- (f) the Board will endorse the recommendation and seek shareholders’ approval for the appointment of the new external auditors and/or resignation/removal of the existing external auditors at the general meeting.

### 3. INDEPENDENCE

The external auditors are precluded from providing any services that may impair their independence or conflict with their role as external auditors. The AC shall obtain a written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

#### **4. NON-AUDIT SERVICE**

The external auditors can be engaged to perform non-audit services that are not, and are not perceived to be, in conflict with the role of the external auditors. This excludes audit related work in compliance with statutory requirements.

The prohibition of non-audit services is based on three (3) basic principles as follows:-

- a) external auditors cannot function in the role of Management;
- b) external auditors cannot audit their own work; and
- c) external auditors cannot serve in an advocacy role of the Company and its subsidiaries ("the Group").

The external auditors shall observe and comply with the By-Laws of the Malaysian Institute of Accountants in relation to the provision of non-audit services, which include the following:-

- i) accounting and book keeping services;
- ii) valuation services;
- iii) taxation services;
- iv) internal audit services;
- v) IT systems services;
- vi) litigation support services;
- vii) recruitment services; and
- viii) corporate finance services.

All engagements of the external auditors to provide non-audit services are subject to the approval/endorsement of the AC. Management shall obtain confirmation from the external auditors that the independence of the external auditors will not be impaired by the provision of non-audit services.

#### **5. ROTATION OF AUDIT PARTNER**

The audit partner responsible for the external audit of the Group is subject to rotation at last every five (5) financial years in accordance with Bye-Laws of the MIA.

#### **6. ANNUAL REPORTING**

The External Auditors shall issue an annual audit plan for review and discussion with the AC. The External Auditors shall also provide a management letter to the AC upon completion of the annual audit.

## 7. ANNUAL ASSESSMENT

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The AC shall carry out annual assessment on the performance, suitability and independence of the external auditors based on the following four (4) key areas:-

- i) quality of service;
- ii) sufficiency of resources;
- iii) communication and interaction with management;
- iv) independence, objectivity and professionalism (The External Auditors are to provide confirmation on independence and their compliance with MIA's Code of Ethics and confirmation of their valid registration with Audit Oversight Board).

With the assistance from the Head of Finance, the AC may perform the annual assessment of the external auditors.

## 8. REVIEW OF THE POLICY

The AC will review the Policy periodically to ensure that it continues to remain relevant and appropriate.