

**SENHENG NEW RETAIL BERHAD**

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**BOARD CHARTER**

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| <b>TABLE OF CONTENTS</b>  | <b>PAGE NO.</b> |
|---|-----------------|
| <b>ABBREVIATION/DEFINITION</b>                                  |                 |
| 1. INTRODUCTION   |                 |
| 1.1 ABOUT SENHENG   | 1               |
| 1.2 SENHENG BELIEFS   | 1               |
| 2. PURPOSE OF BOARD CHARTER                                     | 2               |
| 3. DEFINING GOVERNANCE ROLES                                    | 2               |
| 3.1 THE ROLE OF THE BOARD                                       | 2               |
| 3.2 THE ROLE OF INDIVIDUAL DIRECTOR                             | 3               |
| 3.3 THE ROLE OF EXECUTIVE AND NON-EXECUTIVE DIRECTOR            | 4               |
| 3.4 THE ROLE OF INDEPENDENT NON-EXECUTIVE DIRECTOR              | 5               |
| 3.5 THE ROLE OF SENIOR INDEPENDENT DIRECTOR                     | 5               |
| 3.6 THE ROLE OF CHAIRMAN  | 5               |
| 3.6.1 Inside the Boardroom                                      |                 |
| 3.6.2 Outside the Boardroom                                     |                 |
| 3.7 THE ROLE OF PRESIDENT                                       | 6               |
| 3.8 BOARD COMMITTEES  | 8               |
| 3.8.1 EXCO  |                 |
| 3.8.2 Audit and Risk Management Committee                       |                 |
| 3.8.3 Nomination Committee                                      |                 |
| 3.8.4 Remuneration Committee                                    |                 |
| 3.9 COMPANY SECRETARY   | 9               |
| 4. COMPOSITION AND BOARD BALANCE                                | 10              |
| 4.1 SIZE AND COMPOSITION  | 10              |
| 4.2 APPOINTMENT AND RE-ELECTION                                 | 11              |
| 4.3 INDEPENDENT DIRECTOR  | 12              |
| 4.4 THE BOARD'S RELATIONSHIP WITH SHAREHOLDERS AND STAKEHOLDERS | 13              |
| 5. BOARD PROCESS  | 14              |
| 5.1 BOARD MEETINGS  | 14              |
| 5.2 AGENDA  | 16              |
| 5.3 MEETING PAPERS  | 16              |
| 5.4 ACCESS TO INFORMATION                                       | 16              |

| <b>TABLE OF CONTENTS</b>                                     | <b>PAGE NO.</b> |
|--|-----------------|
| 5.5 APPOINTMENT, VACATION OF OFFICE AND REMOVAL OF DIRECTORS | 17              |
| 5.6 INDUCTION PROCESS & DIRECTORS' TRAINING PROGRAMME        | 18              |
| 5.7 CONFLICT OF INTEREST AND RELATED PARTY TRANSACTIONS      | 19              |
| 5.8 DIRECTORS' EXTERNAL COMMITMENTS                          | 19              |
| 5.9 REPRESENTATION OF THE COMPANY                            | 19              |
| 5.10 THE COMPANY'S CONSTITUTION AND MANAGEMENT'S LIMITS      | 20              |
| 5.11 DIRECTORS' CODE OF CONDUCT                              | 20              |
| 6. APPLICATION   |                 |
| APPENDIX A   |                 |
| APPENDIX B   |                 |

## **ABBREVIATION/DEFINITION**

|                      |   |
|----------------------|---|
| AGM                  | - Annual General Meeting                                |
| Board                | - Board of Directors of the Company                     |
| Bursa                | - Bursa Malaysia Securities Berhad                      |
| CA                   | - Companies Act 2016                                    |
| Constitution         | - Constitution of the Company                           |
| CSR                  | - Corporate Social Responsibility                       |
| EGM                  | - Extraordinary General Meeting                         |
| EXCO                 | - Executive Committee                                   |
| Group                | - Senheng and its subsidiaries                          |
| President            | - President   |
| Independent Director | - Defined in accordance with Paragraph 1.01 of the MMLR |
| Management           | - Management of the Company                             |
| MCCG                 | - Malaysian Code on Corporate Governance                |
| MMLR                 | - Main Market Listing Requirements of Bursa             |
| Senheng or Company   | - Senheng New Retail Berhad                             |
| SC                   | - Securities Commission                                 |

# 1. INTRODUCTION

## 1.1 ABOUT SENHENG

Senheng® was first established in 1989, from a tiny consumer electronics half shop lot set up with stocks worth less than Ringgit Malaysia thirty thousands to the largest electronics chain store today with branches straddling the length and breadth of Malaysia.

Helmed by the Lim brothers, K.H., K.C. and K.Y., Senheng® has gained its reputation and credibility that has made it the number one in the industry through progressive, forward looking, and innovative touches.

### **Different... Truly Different®**

Over the past few years, Senheng® has been through many changes. These changes were made to better serve you, our customers. Even though the future has yet to unfold, we are ready to adopt for changes necessary to meet your needs and provide enhanced shopping experience for you.

### **Values**

Our mission is to create a better quality of living for you and us. Therefore, we create and deliver these values to you.

### **Quality**

- Our products are branded and from reputable suppliers with a high standard of quality control.
- Our customers can access various quality bathroom, bedroom, living room systems to kitchen appliances and electronics in our stores.
- We provide professional in-store and after-sales services, we ensure timely shipment of goods from warehouse to stores and to customers.
- We are a reliable organization with reaching 100 stores established nationwide
- We are fast and efficient to response
- We have a superb quality of services

### **Peace of Mind**

- All Senheng Sales Personnel underwent a stringent training programme to enhance service professionalism as well as product knowledge.
- We provide various care plans to take care of your products.
- Senheng has all-improved in-store looks, designs, and feel
- We provide One to One Replacement Programme or warranty extension options for all of our products
- 1-year extra warranty program

### **Convenience**

- We provide a variety of electronic appliance from home to kitchen, from computer to smartphones. We are the one-stop consumer electronic center for you.
- Single-point-of-purchases. nationwide-services
- We practice flexi-payment as we have a different payment option for you to choose from.

- Multiple payment methods
- You can visit any store for after-sales services and repairs.
- You no longer need to carry your heavy product home by yourself as we provide free delivery to homes within 50km for our members and we will send your products to your doorstep.

## **2. PURPOSE OF BOARD CHARTER**

The Board of Senheng recognises the importance of adopting high standards of corporate governance throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and financial performance of the Group.

As such, the Board has outlined the Company's corporate governance policy in the form of a Board Charter that defines the respective roles, responsibilities and authorities of the Board, both individually and collectively, and of management in setting direction, management and control of the organisation.

The purpose of this Board Charter is to document the policies upon which the Board has decided to meet its legal and other responsibilities.

This Charter is designed to provide guidance and clarity for Directors and Management regarding the roles and responsibilities of the Board and its Committees, the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as the Board's operating practices.

## **3. DEFINING GOVERNANCE ROLES**

### **3.1 THE ROLE OF THE BOARD**

The Board is ultimately responsible for establishing all strategies and policies relating to the running of the Company.

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board reserves a formal schedule of matters for its decision to ensure that the direction and control of the Group is firmly in its hands. Details of these are set out in **Appendix A**.

The Board shall establish an internal audit function, which is independent of the activities it audits, and identify a head of internal audit who reports directly to the Audit and Risk Management Committee.

The Board also seeks to ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body.

The principal responsibilities of the Board are:

- to review and adopt strategic plans, addressing the sustainability of the Group's business;
- to oversee the conduct of the Group's businesses and evaluate whether or not the businesses are being properly managed;
- to identify principal business risks faced by the Group and ensure the implementation of appropriate systems to manage these risks;
- to consider and implement succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing members of the Board and Senior Management;
- to develop and implement an investor relations programme or shareholder communications policy for the Company;
- to review the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- to promote good corporate governance culture together with Senior Management within the Company for reinforcing ethical, prudent and professional behaviour; and
- to review, challenge and decide on Management's critical proposals for the Company, and oversee its implementation by Management.

### **3.2 THE ROLE OF INDIVIDUAL DIRECTOR**

Director is required to be aware of the legal parameters that define his duties, broadly these includes:

- Duty to act in good faith and must act honestly in line with the Company's interests;
- Duty to exercise power for a proper purpose;
- Duty to exercise discretion properly and cannot fetter these powers by abdicating an independent exercise of such discretion and merely doing what is wanted by another person; and
- Duty to avoid conflict of interest and self-dealing through improper use of Company's property, information, position, corporate opportunity or competing with the Company by a director or an officer of a company unless consent or ratification is obtained in a general meeting.

Director should exercise reasonable care, skill and diligence according to the knowledge, skill and experience which may be reasonably be expected of him having the same responsibilities; and based on the facts, any additional knowledge, skill and experience which he has and may be guided as follows:

- Ensuring that the Company or Group has established an effective governance system and process, including compliance with regulatory requirements;
- Refraining from rushing into decision-making. Provide adequate time for deliberations and evaluations of transactional and financial matters;

- Require sufficient notice and distribution of board papers and explanatory appendices in advance of meetings;
- Convene supplemental meetings in response to requests for further information before the final decision;
- Make informed decisions based on the information provided and analysis and recommendations of the company's independent professional advisers;
- Ensuring that there is no undue pressure from dominant personalities or nominees of significant shareholders;
- Base reliance on others where there is sound basis for doing so; and
- Periodically test internal control and risk assessment systems set up for integrity and soundness

### **3.3 THE ROLE OF EXECUTIVE AND NON-EXECUTIVE DIRECTOR**

Executive Directors are, as employees, involved in the day-to-day management of the Group. Non-Executive Directors are further classified as:

- those who have no direct or indirect pecuniary interest in the Company other than their Directors' fee, related emoluments and their "permitted" holdings of shares in the Company, i.e. Independent Non-Executive Directors; and
- those who are not employees of the Company or affiliated with it in any other way and are not involved in the day-to-day running of business but have pecuniary interest in the Company, either as shareholders or otherwise and whether direct or indirect, i.e. Non-Executive Directors.

Non-Executive Directors act as a bridge between Management, shareholders and other stakeholders. They provide the relevant checks and balances, focusing on shareholders' and other stakeholders' interests and ensuring that high standards of corporate governance are applied. Letters of appointment for Non-Executive Directors do not set out a fixed time commitment for board duties as the Board believes that the time required by the Non-Executive Directors may fluctuate depending on demands of the business and other events. However, it is expected that Non-Executive Directors shall allocate sufficient time to the Company to perform their duties effectively.

### **3.4 THE ROLE OF INDEPENDENT NON-EXECUTIVE DIRECTOR**

Independent Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.

The MMLR emphasize that even if a person does not fall within any of the disqualifying indicators enumerated out in Paragraph 1.01, both the Director and the Board must give effect to the spirit, intention and purpose of the definition of an Independent Director. There must be a conscious application of the test of whether the said Director is able to exercise independent judgment and act in the best interests of the Company.

The attributes of collegial yet independent decision-making that must be vested in the Independent Director will be determined in part by the character of the individual and that of the whole ethos of the Board.

### **3.5 THE ROLE OF SENIOR INDEPENDENT DIRECTOR**

Senheng may appoint a Senior Independent Director to whom concerns may be conveyed by shareholders and the public. The role of the Senior Independent Directors include:

- Acting as a sounding Board to the Chairman;
- Serving as an intermediary for other directors when necessary;
- Acting as point of contact for shareholders and other stakeholders particularly on concerns which cannot be resolved through the normal channels of the Chairman and/or President; and
- Providing leadership support and advice to the Board in the event that the Board is undergoing a period of stress.

### **3.6 THE ROLE OF CHAIRMAN**

The Chairman carries out a leadership role in the conduct of the Board and its relations to shareholders and other stakeholders. He is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board as a whole.

There are two main aspects to the Chairman's role. They are the Chairman's role within the boardroom and the Chairman's role outside the boardroom.

#### **3.6.1 Inside the Boardroom**

Inside the Boardroom, the role of the Chairman is to:

- Provide leadership to lead the Board in its collective oversight of Management;
- Establish the agenda for Board meetings in consultation with the President and Company Secretary;

- Ensure that all Directors are enabled and encouraged to participate at Board meetings. This includes ensuring that all relevant issues are on the agenda and that all Directors receive timely and relevant information tailored to their needs and that they are properly briefed on issues arising at Board meetings;
- Ensure that Executive Directors look beyond their executive functions and accept their full share of the responsibilities of governance;
- Guide and mediate the Board's actions with respect to organisational priorities and governance concerns;
- Undertake the primary responsibility for organising the information necessary for the Board to deal with items on the agenda and for providing this information to Directors on a timely basis;
- Chair Board meetings;
- Be clear on what the Board has to achieve, both in the long and short term;
- Provide guidance to other Board members about what is expected of them;
- Ensure that Board meetings are effective in that:
  - the appropriate matters are considered during the meeting (for example, strategic and important issues);
  - matters are considered carefully and thoroughly;
  - all Directors are given the opportunity to effectively contribute; and
  - the Board comes to clear decisions and resolutions are noted;
- Ensure that the Board behaves in accordance with its Charter;
- Manage the interface between the Board and Management; and
- Perform other responsibilities as assigned by the Board, from time to time.

### **3.6.2 Outside the Boardroom**

Outside the Boardroom, the role of the Chairman is to:

- In conjunction with the President, undertake appropriate public relations activities to provide effective communication with stakeholders and to communicate their views to the Board;
- Be the spokesperson for the Company at the AGM and in the reporting of performance and profit figures;
- Be the major point of contact between the Board and the President;
- Be kept fully informed of current events by the President on all matters which may be of interest to Directors;
- Regularly review with the President, and such other appropriate senior officers, progress on important initiatives and significant issues facing the Company;
- Provide mentoring for the President; and
- Initiate and oversee the annual President evaluation process.

## **3.7 THE ROLE OF PRESIDENT**

The President is responsible for implementing the programme to achieve the Company's goals and vision for the future, in accordance with the strategies, policies, programs and performance requirements approved by the Board. The position reports directly to the Board.

The President's primary objective is to seek to achieve the ongoing success of the Company through being responsible for all aspects of the management and development of the Company. The President is of critical importance to the Company in guiding the Company to develop new and imaginative ways of winning and conducting business and must possess industry knowledge and credibility to fulfill the requirements of the role.

The President will manage a team of executives responsible for all functions contributing to the success of the Company.

The President specific responsibilities will include:

- Developing the strategic direction of the Group and provide directions in the implementation of short and long terms strategies and plans.
- Overseeing the business and day-to-day operations to ensure smooth and effective running of the Group.
- Selecting and appointing key staff as well as responsible for ensuring high competency, productivity and performance through performance management and professional development.
- Communicating the Group's mission, vision, values and personality to the employees.
- At each of its scheduled meetings, the Board should expect to receive from or through the President:
  - summary reports on the performance and activities of the Group and specific proposals for capital expenditure acquisitions and disposals; and
  - such assurances as the Board considers necessary to confirm that the Management's limits are being observed.
- The President is expected to act within all specific authorities delegated to him by the Board.
- Executive management of the Group's business, covering, inter-alia, the development of a sustainable strategic plan, an annual operating plan and budget, performance benchmarks to gauge Management's performance, and an analysis of Management reports.
- Developing long-term strategic and short-term profit plans, designed to ensure that the Group's requirements for growth, profitability and return on capital are achieved.
- Directing and controlling all aspects of the business operations in a cost effective manner.
- Effectively overseeing the human resource of the organisation with respect to key positions in the Group hierarchy and ensuring the general well-being of employees, including the determination of remuneration as well as terms and conditions of employment for Senior Management personnel and issues pertaining to discipline of all employees.
- Effectively representing the interest of the Group with major customers, governments and their agencies, and industries at large, to ensure general goodwill towards the Group and cooperation in planned development.
- Providing assistance to members of the Audit and Risk Management, Nomination and Remuneration Committees, as

required, in discharging their duties.

- Assisting the Chairman in organising information necessary for the Board to deal with the agenda and for providing such information to Directors on a timely basis.
- Ensuring the success of the Company's governance and management functions.
- Undertaking the role of key company spokesperson.
- Ensuring appropriate risk management practices and policies are in place.
- Developing and motivating direct reports and their respective teams.
- Assessment of business opportunities of potential benefit to the Company.
- Responsibility for proposals for major capital expenditure to ensure their alignment with corporation strategy and justification on economic grounds.

In discharging the above responsibilities, the President can delegate appropriate functions to any Executive Director.

### **3.8 BOARD COMMITTEES**

As managing and controlling companies have become more complex and demanding, boards are resorting to committees to assist them in the discharge of their duties and responsibilities.

However, the existence of Board Committees does not diminish the Board's responsibility for the affairs of a company. Board can delegate powers to committees but such delegation should be subject to the following:

- Delegated authority in accordance with the Company's Constitution;
- Clearly established terms of reference, defining their responsibilities and authority, which are approved by the Board;
- The Board must supervise its delegation; and
- The Board must not merely adopt or rely on the committees' recommendations without proper assessment and testing or challenging the same.

Each committee's role should be spelt out in written terms of reference approved by the Board. Each year, the Board, through Nomination Committee, reviews the Board Committee's effectiveness. The Chairman of each Board Committee should assess the performance of individual member on annual basis. These assessments can be used to facilitate the Nomination Committee's evaluation of Board Committees' performance.

The Board has established the following Board Committees of which the role of the respective Board Committees are as summarised below:

#### **3.8.1 EXCO**

EXCO is entrusted with the duty of overseeing the effective implementation of the Board's strategies and directions and successful achievement of Group's corporate objectives.

### **3.8.2 AUDIT AND RISK MANAGEMENT COMMITTEE**

The Audit and Risk Management Committee is formed to play a crucial role in corporate governance process, a process that is one of the cornerstones of shareholders' protection. Board may delegate, but not abdicate its responsibilities to the Audit and Risk Management Committee. The Audit and Risk Management Committee is also responsible for overseeing risk management framework and policies of the Group.

The Audit and Risk Management Committee should assume four fundamental responsibilities:

- Assessing the risks and control environment;
- Overseeing financial reporting;
- Evaluating the internal and external audit process; and
- Reviewing conflict of interestsituations and related party transactions.

### **3.8.3 NOMINATION COMMITTEE**

The Nomination Committee oversees matters relating to the nomination of new Directors, annually reviews the required mix of skills, experience, assessment of independent directors', reviews succession plans and, boardroom diversity; oversees training courses for directors and other requisite qualities of Directors, as well as the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director.

### **3.8.4 REMUNERATION COMMITTEE**

The Remuneration Committee is responsible for reviewing and recommending the remuneration framework for Directors as well as the remuneration packages of Executive Director, Non-Executive Director and Senior Management to the Board, drawing from outside advice if necessary.

### **3.9 COMPANY SECRETARY**

The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Board recognizes the fact that the Company Secretary should be suitably qualified and capable of carrying out the duties required of the post.

The key role of the Company Secretary is to provide unhindered advice and services for the Directors, as and when the need arises, to enhance the effective functioning of the Board and to ensure regulatory compliance.

The primary responsibilities of the Company Secretary include:

- ensuring that Board procedures and applicable rules are observed;

- advising the Board on its roles and responsibilities;
- facilitating the orientation of new Directors and assisting in directors' training and development;
- maintaining records of the Board and ensuring effective management of the Company's records;
- managing all Board and Board Committees meeting logistics, attending and preparing comprehensive minutes to document Board and Committee proceedings and ensuring conclusions are accurately recorded;
- advising the Board on corporate disclosures and compliance with company and securities regulations and listing requirements;
- managing processes pertaining to the annual shareholder meeting;
- monitoring corporate governance developments and assisting the Board in applying governance practices to meet the Board's needs and stakeholders' expectations;
- serve as a focal point for stakeholders' communication and engagement on corporate governance issues; and
- carrying out other functions as deemed appropriate by the Board from time to time.

#### **4. COMPOSITION AND BOARD BALANCE**

##### **4.1 SIZE AND COMPOSITION**

The Board currently consists of seven members; comprising one Executive Chairman, one President, one Executive Director, and four Independent Non-Executive Directors.

The Board will ensure that its size and composition is optimum and well balanced, which is consistent with the size of the Group and its operation. At least 1/3 of the Board, or two (2) members, whichever higher, shall consist of Independent Non-Executive Directors. If the number of directors is not 3 or a multiple of 3, then the number nearest 1/3 must be used. The Company's Constitution allows a minimum of two (2) and maximum of fifteen (15) Directors.

The Board opined that its members should have wide ranging experience, skill, knowledge that adds value to the Company and its Group. The qualifications for Board membership are the ability to make informed business decisions and recommendations; possesses an entrepreneurial talent for contributing to the creation of shareholder value; relevant experience, the ability to appreciate the wider picture of the Group's business; ability to ask probing operational related questions; high ethical standards; sound practical sense; and total commitment to furthering the interests of shareholders and achievement of the Group's goals. In addressing this, the Board shall consider recommendations by the Nomination Committee pertaining to nominees for directorship in the Company.

The Executive Directors in particular are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as co-coordinating the development and implementation of business and corporate strategies.

The Independent Non-Executive Director shall be person of caliber, credibility and have the necessary skill and experience to bring independent judgment to the decision making of the Board and provide a capable check and balance for the executive directors as well as contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls.

The positions of Chairman and President are held by different individuals and there is a clear division of responsibilities of these individuals to ensure a balance of authority and power.

## **4.2 APPOINTMENT AND RE-ELECTION**

The Board will consider and decide on the appointment of a new director upon appropriate recommendation from the Nomination Committee.

For the assessment and selection of Directors, the Nomination Committee shall consider objective criteria, merit with due regard of prospective Directors' character, experience, competence, integrity and time availability, as well as the following factors:

- industry skills, knowledge expertise, age, cultural background; gender
- professionalism;
- diversity;
- contribution and performance; and
- in the case of candidates for the position of Independent Non-Executive Directors, the Board shall also evaluate the candidates' ability to discharge such responsibilities/functions as are expected from Independent Non-Executive Directors.

In identifying candidates for appointment of directors, the Board does not solely rely on recommendations from existing directors, management or major shareholders. The Board utilises independent sources to identify suitably qualified candidates.

The Board should use a variety of approaches and sources to ensure that it is able to identify the most suitable candidates for board position. This may include sourcing from a directors' registry and open advertisements or the use of independent search firms.

Newly appointed director unless they have already attended the same, must attend Mandatory Accreditation Programme as prescribed by Bursa.

Pursuant to the Company's Constitution, one third (1/3) of the Board members are required to retire at every AGM and be subjected to re-election by shareholders.

Newly appointed directors shall hold office until the next AGM and shall be subjected to re-election by the shareholders.

All Directors shall retire once every three (3) years but shall be eligible for re-election.

The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be

contingent on satisfactory evaluation of the director's performance and contribution to the board.

### **4.3 INDEPENDENT DIRECTOR**

Independent Director is a person who is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interests of the Company.

The existence of Independent Directors on the Board by itself does not ensure the exercise of independent and objective judgment as independent judgment can be compromised by, amongst others, familiarity or close relationship with other board members.

Therefore, the Board with assistance from Nomination Committee undertakes to carry out annual assessment of the independence of its Independent Directors and focus beyond the Independent Director's background, economic and family relationships and consider whether the independent director can continue to bring independent and objective judgment to board deliberations.

The Listing Requirements emphasise that even if a person does not fall within any of the disqualifying indicators enumerated out in Paragraph 1.01 of the Listing Requirements, both the Director and the Board must give effect to the spirit, intention and purpose of the definition of an Independent Director. There must be a conscious application of the test of whether the said Director is able to exercise independent judgment and act in the best interests of the Company, for example, test of independence of mind and independence in appearance.

Nomination Committee will carry out the test of independence of mind on the Director to determine if the state of mind of the Director permits him/her to exercise independent judgment without being affected by influences that compromise objectivity; whereas the test of independence in appearance relates to the test that the Director is free from any personal, family or economic interests which would lead a third party to cast doubts on an independent director's objectivity.

The attributes of collegial yet independent decision-making that must be vested in the Independent Director will be determined in part by the character of the individual and that of the whole ethos of the Board.

The tenure of an Independent Director should not exceed a cumulative term limit of nine (9) years.

Upon completion of nine (9) years, an Independent Director may continue to serve the Board subject to the director's re-designation as a non-independent director and assessment of the Nomination Committee.

The Board must justify and seek shareholders' approval if they intend to retain an Independent Director beyond nine (9) years through a two-tier voting process.

#### **4.4 THE BOARD'S RELATIONSHIP WITH SHAREHOLDERS AND STAKEHOLDERS**

The Board shall maintain an effective communications policy that enables both the Board and Management to communicate effectively with shareholders, stakeholders and the general public.

It is the role of the Board to ensure that the AGM and Extraordinary General Meeting (“EGM”) of the Company are conducted in an efficient manner and serve as crucial mechanisms in shareholder communications. Key ingredients behind this include the supply of comprehensive and timely information to shareholders and the encouragement of active participation at the AGM and EGM. The Board shall focus its efforts on the following practices to enhance the effectiveness of General Meeting:

- ensure that shareholders are given sufficient notice and time to consider the resolution(s) that will be discussed and decided at the General Meeting. The Board shall also ensure that each item of special business included in the notice is accompanied by a full explanation of the effects of the proposed resolution;
- for re-election and re-appointment of Directors, ensure that the notice of meeting states which Directors are standing for re-appointment or re-election, with a brief description including matters such as age, relevant experience, list of directorships, date of appointments to the Board, details of participation in Board Committees and whether a particular Director is independent;
- ensure that the Chairman provides reasonable time for discussion at the meeting. Where appropriate, the Chairman will also undertake to provide the enquirer with a written answer to any significant question which cannot be answered immediately;
- ensure that any resolution set out in the notice of General Meeting is voted by poll and to announce the detailed results of the votes cast for and against each resolution. The Chairman shall also ensure that there is a channel of communication through the Company Secretary on feedback and queries from shareholders;
- ensure that all Directors attend General Meetings to provide opportunity for shareholders to effectively engage each Director as well as provide meaningful response to questions addressed to them;
- ensure the Chairman of the Board is the Chairman for all General Meetings; and  
ensure that the Company publishes these measures listed above, on its corporate website on a dedicated Corporate Governance section.

## **5. BOARD PROCESS**

### **5.1 BOARD MEETINGS**

The Board shall conduct at least four (4) scheduled meetings a year, with additional meetings convened on an ad hoc basis as and when the Board's approval and guidance is required.

The Company Secretary shall in advance prepare and distribute to all Directors a timetable for the meetings for the financial year. The Company Secretary shall work together with the Chairman and President in developing the annual meeting timetable.

A Director may at any time and the secretary shall on the requisition of a director summon a meeting of the directors by giving them not less than seven (7) days' notice thereof unless such requirement is waived by them.

The quorum necessary for the transaction of the business of the directors shall be two (2).

The Chairman of the Board shall preside at all meetings. If the Chairman is unavailable or if he is not present within fifteen (15) minutes after the time set for the holding of the meeting, the Directors present shall elect one (1) of their number to be Chairman of the meeting.

Board members are required to attend the Board meetings. However, other Senior Management may be invited to attend meetings for particular items within their responsibility. The Board may also invite external parties such as the auditors, solicitors and consultants as and when the need arises.

Resolutions of any meeting of the Directors shall be decided by a majority of votes and a determination by a majority of directors shall for all purposes be deemed a determination of the directors. In case of an equality of votes, the Chairman of the Meeting shall have a second or casting vote.

Resolutions of the Directors at a meeting or adjourned meeting of the Directors shall be adopted by all Directors present. In the event issues requiring the Board's decision arise between meetings, such issues shall be resolved through circular resolution subsequent to discussions being held amongst the Board members, either via teleconference, videoconference, email, etc. in order for the Board as a whole to be apprised on such matters and obtain their view points before arriving at a decision.

Such circular resolution in writing shall be valid and effective if it is signed or approved by letter, telex, telegram, cable, facsimile or other electrical or digital written message by the majority of the Directors, and such discussions, including any concerns raised and the rationale for the decisions so made in the resolution shall be tabled at the immediate Board meeting for formal recordkeeping.

Directors shall be deemed to be present in person at a meeting if he participates by telephone, audio or audio visual or such other electronic means and all members participating in the meeting are able to hear and/or see each other. The Directors participating in any such meeting shall be counted in the quorum for such meeting. All resolutions agreed upon by the Directors in such a meeting shall be deemed to be as effective as a resolution passed at a meeting in person of the Directors duly convened and held. All information and documents must be made equally available to all participants prior to, at, or during the meeting.

A Director shall not participate in any discussion and shall abstain from voting on contracts or proposed contracts or arrangements in which he has direct/indirect interests. A Director shall also not vote on contracts or proposed contracts or arrangements with any other company in which he is interested either in his capacity as an officer of the Company or as a shareholder of the Company.

A director notwithstanding his interest may, provided that none of the other directors present disagree, be counted in the quorum present at any meeting whereat he or any other director is appointed to hold office or place of profit under the Company or whereat the directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a director to hold any office or place of profit under any other company whereat the terms of such appointment as hereinafter mentioned are considered or where any decision is taken upon any contract or arrangement which he is in any way interested provided always that he has complied with Section 221 and all other relevant provisions of the CA and its Constitution.

All acts done by any meeting of the directors or of a committee of directors or by any person acting as a director shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any such director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a director.

## **5.2 AGENDA**

The notice of a Directors' meeting shall be given in writing at least seven (7) days, or shorter notice where it is unavoidable, prior to the meeting. The Chairman, in conjunction with the President and the Company Secretary, shall undertake the primary responsibility for preparing the Board's agenda. The agenda shall include, amongst other things, matters specifically reserved for the Board's decision. The Board shall record its deliberation, in terms of the issues discussed, and the conclusions thereof, in discharging its duties and responsibilities.

The agenda shall address high-priority strategic and operational issues, where necessary, and ensure that there is enough time for discussion. Agenda issues shall be aligned with the overall Company's context, including its starting situation, aspiration and priorities.

## **5.3 MEETING PAPERS**

To allow sufficient time for Directors to consider the relevant information, Board papers and agenda items are to be circulated at least seven (7) days, or a shorter period where unavoidable, prior to the meeting. Where there is a need to table a report, a brief statement of findings and/or recommendations is prepared.

Minutes are prepared following a Board meeting and are circulated in draft form for the Board to ensure that the minutes accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on a particular matter. The draft minutes will be re-circulated with the Board papers in readiness for signing at the following meeting. The practice is for minutes to record processes and decisions rather than a historical narrative of the discussion or concluding remarks of final decisions made. If one or more Directors request their opinion to be noted, the Company Secretary shall comply with the request.

## **5.4 ACCESS TO INFORMATION**

A record of submissions, papers and material presented to the Board is maintained and kept by the Company Secretary, together with minutes of meetings, and is accessible to Directors during office hours.

All Directors (Executive and Non-Executive) have the same right of access to information relevant to the furtherance of their duties and responsibilities as Directors of the Company, subject to a formal written request to the Board Chairman furnishing satisfactory and explicit justification for such a request.

The procedures for obtaining access to information are set out under **Appendix B**.

## **5.5 APPOINTMENT, VACATION OF OFFICE AND REMOVAL OF DIRECTORS**

Upon the appointment of a Director, the said Director shall provide to Bursa an undertaking prescribed by Bursa immediately and in any event not later than fourteen (14) days.

Any Director of Senheng shall not be considered fit for directorship if the Director:

- has been convicted by a court of law, whether within Malaysia or elsewhere, of an offence in connection with the promotion, formation or management of a Company;
- has been convicted by a court of law, whether within Malaysia or elsewhere, of an offence, involving bribery, fraud or dishonesty or where the conviction involved a finding that the Director acted fraudulently or dishonestly; or
- has been convicted by a court of law of an offence under the securities laws of Malaysia or the CA,

within a period of five (5) years from the date of conviction or if sentenced to imprisonment, from the date of release from prison.

The office of director shall, ipso facto, be vacated if the director:

- (a) resign his office by notice in writing to the Company;
- (b) has retired in accordance with the CA or the Constitution of the Company but is not re-elected;
- (c) is removed from his office of director by resolution of the Company in General Meeting of which special notice has been given;
- (d) becomes bankrupt or makes any arrangement or composition with his creditors generally during his term of office;
- (e) becomes prohibited from being a director by reason of any order made under the CA or contravenes Section 198 of the CA;
- (f) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder during his term of office;
- (g) dies;
- (h) ceases to be a director by virtue of the CA; or
- (i) is absent from more than 50% of the total Board meetings held during a financial year unless approval is sought or obtained from Bursa.

Where a Director is removed from office, Senheng must forward to Bursa a copy of any written representations made by the Director at the same time as copies of such representations are sent to shareholders/Management of Senheng under Section 207(3)(b) of the CA.

## **5.6 INDUCTION PROCESS & DIRECTORS' TRAINING PROGRAMME**

The objective of the induction process and training programme is to provide Directors with a rapid and clear insight into the Group as well as keeping them abreast with development in the market place pertaining to the oversight function of Directors. This will enable the Directors to discharge their duties and responsibilities effectively.

Induction of Directors may include the following:

- time with other Directors to enable further insights and knowledge of the Company, in particular the Chairman and the Company Secretary;
- furnishing of a copy of the previous Board minutes for at least the past six (6) months;
- visits to key sites;
- additional Board or Board Committee meetings as circumstances warrant during a given financial year. As in-depth knowledge of the particulars of the Company's/Group's business is vital for each Director, Management is encouraged to structure Board or Board Committee meetings to allow direct involvement and review of operational activities (for example, by holding Board meetings in field operations and including market/ business activities in the Board meetings); and
- a formal one (1) to two (2) day induction programme, including the elements above, and also presentations by key management personnel.

Directors are strongly encouraged to undergo training to equip themselves to effectively discharge their duties as a Director and for that purpose he ensures that he attends such training programmes.

Directors are required to undergo the Mandatory Accreditation Programme under the requirements of Bursa. In addition, Directors are required to attend relevant training courses/seminars at periodic intervals to keep them abreast with development pertaining to the oversight function of Directors as well as updates on technical matters, for example financial reporting standards, tax budgets, etc. The Nomination Committee in association with the Chairman shall decide on the continuous education training programme for Directors.

At the start of each financial year, the Board collectively should discuss to assess the training needs of each Director and to decide on the type of training that may be required for effective and efficient discharge of Directors' duties and responsibilities.

The costs of the Mandatory Accreditation Programme and/or continuing education program shall be borne by the Company.

## **5.7 CONFLICT OF INTEREST AND RELATED PARTY TRANSACTIONS**

A Director who is in any way, weather directly or indirectly, interested in a contract or proposed contract with the Company shall declare his interest in accordance with the provisions of the CA. The Directors shall state the fact and the nature, the character and extent of any office or profession of any property that may duly, directly or indirectly be in conflict with his duties as a Director. The Director concerned shall not participate in deliberations and shall abstain himself from casting his votes in any matter arising thereof otherwise as provided for in the Constitution of the Company.

Should there be an actual, potential or perceived conflict of interest between the Company or a related corporation and a Director, or an associate of a Director such as a spouse or other family members, the Director involved shall make full disclosure and act honestly in the best interest of the Company.

An actual, potential or perceived conflict of interest shall not necessarily disqualify an individual Director from the Board provided that full disclosure of the interest has been made in good faith and with due honesty.

Related party transactions include any financial transaction between a Director or officer and the Company and will be reported to each Board meeting.

## **5.8 DIRECTORS' EXTERNAL COMMITMENTS**

Directors shall devote sufficient time to carry out their responsibilities. Directors shall notify the Chairman before accepting any new directorships and the notification shall provide for an indication of time that will be spent on the new appointment.

A Director of the Company or Group shall not hold more than five (5) directorships in listed company or such lesser number as required under MMLR.

The Company Secretary should facilitate the Directors' annual independence and conflict of interests declarations, which will allow the Directors to perform an annual self-declaration on independence (i.e. for Independent Non-Executive Directors) and conflict of interest (i.e. for all Directors).

## **5.9 REPRESENTATION OF THE COMPANY**

The Board looks to Management to speak on behalf of Senheng and to manage the communication of information to investors, other stakeholders and the public in an orderly and effective manner while adhering, at all times, to relevant laws and regulatory requirements. The Board authorises two (2) of its members to be determined by the Board from time to time to be the official spokespersons for Senheng.

The Board shall have the relevant corporate disclosure policies and procedures to ensure comprehensiveness, accuracy and timeliness. These policies and procedures shall ensure compliance with the relevant disclosure requirements as enumerated in MMLR.

The Company shall consider the use of information technology in communicating with stakeholders, including a dedicated section for Investor Relations on the Company's website. This section shall provide information such as, amongst others, the Company's performance, corporate strategy, Annual Report and other matters affecting shareholders' interests.

A formal Investor Relations Policy will be developed and implemented.

## **5.10 THE COMPANY'S CONSTITUTION AND MANAGEMENT'S LIMITS**

The Board operates pursuant to the powers and is subject to rules in the Constitution of the Company as adopted by shareholders in General Meeting.

Management is expected to act within all specific authorities delegated to it by the Board.

Management is expected not to cause or permit any practice, activity or decision that is contrary to commonly accepted good business practices or professional ethics.

## **5.11 DIRECTORS' CODE OF CONDUCT**

The Board of Directors of Senheng shall ensure that the Group upholds high standards of ethics and corporate behaviour. A governing Board is in a position of trust. It holds in trust not only the Group's physical and intellectual assets but also the efforts of those who have gone before. It preserves and grows these things for the current and future generations. Its stewardship will protect the organisation from harm and steer it towards positive achievement.

In that light and in the performance of their duties, a Director of Senheng is first and foremost held accountable in demonstrating the following:

### ***Corporate Governance***

- (i) a clear understanding of the aims and purpose, capabilities and capacity of the Company;
- (ii) devote time and effort to attend meetings and to know what is required of the Board and each of its Directors, and to discharge those functions;
- (iii) ensure at all times that the Company is properly managed and effectively controlled;

- (iv) stay abreast of the affairs of the Company and be kept informed of the Company's compliance with the relevant legislation and contractual requirements;
- (v) insist on being kept informed on all matters of importance to the Company in order to be effective in corporate management;
- (vi) limit his directorship of companies to a number in which he can best devote his time and effectiveness; each Director is his own judge of his abilities and how best to manage his time effectively in the company in which he holds directorship;
- (vii) have access to the advice and services of the Company Secretary, who is responsible to the Board to ensure proper procedures, rules and regulations are complied with;
- (viii) at all times exercise his powers for the purposes they were conferred, for the benefit and prosperity of the Company;
- (ix) disclose immediately all contractual interests whether directly or indirectly with the company;
- (x) not divert to his own advantage any business opportunity that the Company is pursuing, or misuses confidential information obtained by reason of his office for his own advantage or that of others;
- (xi) at all times act with utmost good faith towards the Company in any transaction and to act honestly and responsibly in the exercise of his powers in discharging his duties; and
- (xii) be willing to exercise independent judgment and, if necessary, openly oppose if the vital interest of the Company is at stake.

***Relationship with Shareholders, Employees, Creditors and Customers***

- (xiii) be conscious of the interest of shareholders, employees, creditors and customers of the Company;
- (xiv) at all times promote professionalism and improve the competency of Management and employees; and
- (xv) ensure adequate safety measures and provide proper protection to workers and employees at the workplace.

***Social responsibilities and the Environment***

- (xvi) adopt an objective and positive attitude and give the utmost cooperation for the common good when dealing with government authorities or regulatory bodies;
- (xvii) ensure the effective use of natural resources, and improve quality of life by promoting corporate social responsibilities;
- (xviii) be proactive to the needs of the community and to assist in society-related programmes; and
- (xix) ensure that the activities and the operations of the Company do not harm the interest and well-being of society at large.

The Directors' Code of Conduct will be reviewed and updated periodically.

## **6. APPLICATION**

The principles set out in this Charter are:

- a) kept under review and updated as practices on Corporate Governance develop further guidelines on Corporate Governance are issued by the relevant regulatory authorities;
- b) applied in practice having regard to their spirit and general principles rather than the form itself; and
- c) summarised in the Annual Report as part of a narrative statement by the Directors on Corporate Governance.

The Board endeavours to comply at all times with the principles and practices as set out in this Charter.

The Board will periodically review and update the Charter in accordance with the needs of the Company and any new regulations that may have impact on the discharge of the Board's responsibilities.

Any updates to the principles and practices set out in this Charter will be made available on the Company's website.

**MATTERS RESERVED FOR COLLECTIVE DECISION OF THE BOARD**

The authorities of the Board are specified below and may be varied from time to time as determined by the Board.

**Conduct of the Board**

- Appointment and recommendation for removal of Directors.
- Appointment and removal of Company Secretaries.
- Appointment of Board committees and members.
- Recommendation for appointment/reappointment of auditors.
- Approval of terms of reference of Board Committees and amendments to such terms.
- Appointment of Senior Executive positions, including that of the President and Executive Directors (“EDs”) of the Company and their duties and the continuation (or not) of their service.

**Remuneration**

- Approval/recommendation of the directors’ fee/remuneration arrangements for non-executive directors.
- Approval of remuneration packages including service contracts for President and EDs.
- Approval of remuneration structure, policy and procedure for President, EDs and Senior Management.
- Approval of any proposed employees’ share option scheme and/or amendments to the scheme, subject to other approvals that may be required by law or regulations.

**Operational**

- Review and approval of strategic plan and annual budget.
- Approval of capital expenditure above the prescribed amount as may be determined from time to time.
- Approval of bad debts write-off in excess of the prescribed amount as may be determined from time to time.
- Approval of investment or divestment in a company/business/property undertaking;
- Approval of investment or divestment of a capital project which represents a significant diversification from the existing business activities.
- Approval of changes in the major activities of the Company or Group.
- Approval of treasury policies and bank mandate.
- Approval of the Limits of Authority for the Company.

**Financial**

- Approval of interim and annual financial statements.
- Approval for the release of financial announcements.
- Approval of the Directors' Report, Corporate Governance Overview Statement and Statement of Risk Management and Internal Control for inclusion in the Company's Annual Report and Statutory Accounts.
- Approval of Corporate Governance Report for announcement to Bursa.
- Approval of interim dividends, the recommendation of final dividends and the making of any other distribution.
- Adoption of accounting policies in line with Financial Reporting Standards.
- Review the effectiveness of the Group's system of risk management and internal control. This function is delegated to the Audit and Risk Management Committee which will in turn report to the Board on its findings.

**Other Matters**

- The granting of powers of attorney by the Company.
- The entering into of any indemnities or guarantees.
- Recommendations for the alteration of the Constitution of the Company.
- Alteration of the accounting reference date, registered office and name of the Company.
- Change in financial year end.
- Recommendation for purchase of own shares by the Company.
- Recommendation for issuance of any debt instruments.
- Scheme of reconstruction or restructuring.
- Any other significant business decision.
- Any other matter requiring the convening of a general meeting of shareholders or any class of shareholders.
- Any other matters as may be required by the laws or the governing authorities.
- Any other matters requiring the Board's approval under the Limits of Authority adopted by the Company.

**PROCEDURES ON ACCESS OF INFORMATION**

**A. INFORMATION SEEKING PROTOCOL**

Directors will adhere to the following protocol when seeking information:

- Approach the President or Company Secretary to request the required data;
- If the data is not forthcoming, approach the Chairman; and
- If the information is still not forthcoming, write a letter to all Board members and the President detailing the information that is required, purpose of information, and who the director intends to approach in order to obtain the information.

**B. INSPECTION OF MINUTES AND OTHER DOCUMENTATION**

- Requisition to inspect minutes or other documents/records must be made in written form and be submitted to the Company Secretary at least three (3) working days from the date of inspection.
- Each requisition must state clearly the type of documents, date of publication and purpose of inspection.
- Inspection must be done within the office premise and no extraction of documents in its physical form is allowed out of office premise.
- Photocopying of the minutes is allowed upon request.
- The Company Secretary or their nominee will notify the Director once the said documents or records are ready for inspection.
- Any changes to the date of inspection must be notified within twenty four (24) hours prior to the date of inspection.

**C. ACCESS TO PROFESSIONAL ADVICE**

- A Director of the Company is expected to exercise considered and independent judgment on the matters before them. To discharge this expectation, a Director may from time to time need to seek independent, expert opinion on matters before them.
- Prior to seeking professional advice a Director shall inform the Chairman about the nature of the opinion or information sought, the reason for the advice, the terms of reference for the advice and the estimated cost of the advice and obtain the approval of the Chairman.
- If the Chairman is seeking the advice, he will need to seek the approval of the Board. Where more than one (1) Director is seeking advice about a single issue, the Chairman shall endeavour to coordinate the provision of the advice.

**D. OFFICE ADDRESS AND OPERATING HOURS**

Senheng New Retail Berhad  
44B, Jalan Pandan 3/2, Pandan Jaya,  
55100 Kuala Lumpur  
General Line: 03-9285 4544

Office hours : 9.00 a.m. to 6.00 p.m. (Monday to Friday)