

SENHENG

SENHENG NEW RETAIL BERHAD
[202101019079 (1419379-T)]

TERMS OF REFERENCE:
AUDIT & RISK MANAGEMENT

COMMITTEE

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Document Revision History

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1.0 Objectives

The principal objectives of the establishment of the Audit and Risk Management Committee ("ARMC" or the "Committee") are to assist the Board of Directors ("Board") of Senheng New Retail Berhad (the "Company") and its group of companies (collectively referred to as the "Group" hereinafter) in discharging its statutory duties and responsibilities relating to accounting and reporting practices in the oversight of:

- The Group's internal and external audit processes including issues pertaining to the system of internal control, risk management and governance;
- Financial reporting including the integrity of the financial statements of the Group;
- The quality of the audits conducted both by the internal and external auditors;
- The conflict-of-interest situations and related party transactions including any transaction, procedure or course of conduct that raises questions of Management integrity;
- The compliance by the Group with legal and regulatory requirements and observance of a proper code of conduct;
- The risk management and internal control framework of the Group to ensure the adequacy of the Group's risks and control environment; and
- The adequacy of resources and systems for risk and compliance management and effectiveness of the Corporate Compliance and Management ("CCM") function in carrying out the duties and responsibilities to assist the Committee.

2.0 Composition of the Committee

The Committee shall be appointed by the Board from amongst its members, comprising of at least three (3) members, all of whom shall be Non-Executive Directors, with a majority of them being Independent Directors.

At least one member of the Committee must fulfill the following criteria as set under the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"):

- Must be a member of the Malaysian Institute of Accountants ("MIA"); or
- If he / she is not a member of the MIA, he / she must have at least three (3) years' working experience in accounting and finance and:
 - he / she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967 ("Schedule"); or
 - he / she must be a member of one of the associations of accountants specified in Part II of the Schedule, OR
- Fulfills such other requirements as prescribed or approved by Bursa Securities.

All members of the Committee shall be financially literate and are able to understand matters under the purview of the Committee including the financial reporting process. All members of the Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices, and rules.

No alternate Director(s) shall be appointed as member(s) of the Committee.

For engagement of a former key audit partner as member of the Committee, there must be a cooling-off period of at least three (3) years before being appointed as a member of the Committee. This shall apply to all former partners of the external audit firm and / or the affiliate firm (including those providing advisory services, tax consulting, etc.).

In the event of any vacancy in the Committee resulting in the number of members is reduced to below three (3), the vacancy must be filled within three (3) months from the occurrence of the event upon the recommendation of the Nomination Committee. Committee members may renounce their membership of the committee with early written notice to the Company Secretary. All members of the Committee will hold office only so long as they serve as the Director of the Company.

3.0 Chairman of the Committee

The position of Executive Chairman of the Board and the Committee shall be held by different individuals. The Chairman of the Committee must be an Independent Director and elected amongst the members of the Committee.

The Chairman should act as the key contact between Board members and Committee members as well as Senior Management, or relevant functions within the Group. The duties of Chairman of the Committee, amongst others, are listed below:

- Planning and conducting meetings;
- Overseeing the reporting to the Board;
- Encouraging open discussion during meetings; and
- Developing and maintaining active on-going dialogue with Senior Management / or relevant functions within the Group.

4.0 Rights of the Committee

The Committee shall in accordance with a procedure to be determined by the Board and at the expense of the Company:

- Has explicit authority to investigate any matter within its terms of reference;
- Has adequate resources, which the Committee requires to perform its duties and full and unrestricted access to any information pertaining to the Group from both external and internal auditors and all employees of the Group;
- Has direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity and Senior Management of the Group;

- Be able to obtain external legal or other independent professional advice to perform their duties at the expense of Senheng, if necessary;
- Be able to convene meetings with the external auditors, the internal auditors, or the person(s) carrying out the internal audit function / activity or both, without other Board members and employees present, whenever deemed necessary; and
- Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the MMLR of Bursa Securities, the Committee shall promptly report such matter to Bursa Securities.

5.0 Functions and Duties of the Committee

The functions and duties of the Committee to the extent it deems necessary or appropriate, shall include:

5.1 Financial Statements

- To review the quarterly results and year-end financial statements of the Group, prior to the Board's approval, focusing particularly on:
 - the going concern assumption;
 - compliance with applicable accounting standards and other legal / regulatory requirements;
 - any changes in or implementation of major accounting policies and practices changes; and
 - significant matters highlighted including financial reporting issues, significant adjustments or judgments arising from the audit and / or management, significant and unusual events, or transactions and how these matters are addressed.

5.2 External Audit

- To review and discuss the following with external auditors and report the same to the Board:
 - the audit plan and audit report;
 - evaluation of the system of internal controls; and
 - problems and reservations arising from interim and final audits or any matters that the auditors wish to discuss (i.e., resolution of disagreements between Management and the auditors regarding the financial reporting).

- Review the non-audit services provided by the external auditors and / or its affiliate firms to the Group for the financial year, including the nature and fee of the non-audit services individually and in aggregate relative to the external audit fees, and safeguards deployed to eliminate or reduce any threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided;
- To review and monitor the suitability and independence of the external auditors;
- To consider and recommend to the Board on the appointment and re-appointment of the external auditors, its compensation and to review any letter of resignation or dismissal from the external auditors, and / or internal auditors or person(s) carrying out the internal audit function or activity of Senheng or the Group; and
- To review the extent of assistance and cooperation extended by Management and employees of Senheng and the Group to the external auditors, including any difficulties or disputes encountered during the audit.

5.3 Internal Audit

- To review in relation to the Internal Audit Function:
 - the adequacy of the scope, functions, competency, and resources of the internal audit function (including the name and qualification of the person responsible for the internal audit function) and that it has the necessary authority to carry out its works as well as to ensure that the person(s) carrying out the internal audit function or activity is free from any relationship or conflict of interest situation, which could impair their objectivity and independence;
 - the internal audit plan, processes, the results of the internal audit assessments, necessary process or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - the appraisal or assessment of the performance of the internal audit function; and
 - the appointment or resignation of internal audit staff members and reasons for resignation.
- Direct any special investigations to be carried out by internal audit as and when necessary and consider the major findings of the internal investigations and Management's response.

5.4 Related Party Transactions

- Ensure that Management establishes a policy for the purposes of identifying, evaluating, approving, reporting, and monitoring conflict of interest situations and related party transactions.
- To assess the financial risk and matters in relation to related party transactions and conflict-of-interest situations that may arise within Senheng or the Group including any transaction, procedure or course of conduct that raises questions of Management integrity.
- Review and report to the Board any related party transactions entered into by Senheng and the Group to ensure that:
 - all ongoing transactions are in the best interest of the Group;
 - transactions are in the best interest of the Group;
 - transactions are fair, reasonable, and undertaken on the Group's normal commercial terms;
 - internal control procedures with regard to such transactions are sufficient and review any conflict-of-interest situations or related party transactions to ensure that interested parties do not abuse their powers to gain unfair advantage; and
 - transaction is not detrimental to the interest of minority shareholders.

5.5 Conflict-of-Interest

- To review and report to the Board any conflict-of-interest situation involving Relevant Officers (Directors and Senior Management) that arose, persist or may arise together with the measures taken to resolve, eliminate or mitigate such conflicts, as well as disclosing them in the Audit & Risk Management Committee report.

5.6 Risk Management and Internal Control

- To assess the adequacy and effectiveness of Enterprise Risk Management framework for identifying, managing, and monitoring the critical risks that impact the Group;
- To oversee the execution of risk management process and the results; and it shall be reviewed and evaluated from time to time to ensure it is continuously improved as the business environment changes;
- To engage Management in an ongoing risk appetite dialogue and report the same to the Board;

- To review and evaluate the quality and effectiveness of the internal control systems including its processes of the Groups' operation to mitigate against the risk of inefficiencies and threats to the creation of value of the Group; and
- To review the statements concerning internal controls and risk management to be included in the Annual Report.

5.7 Other Matters

- To evaluate the performance of the external auditors annually.
- To undertake such other responsibilities as may be agreed by the Committee and the Board.
- To consider any other matters as delegated by the Board.

6.0 Disclosure and Reporting

Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") require that Statement on Risk Management and Internal Control is disclosed in the annual report. In making the statement, the Group is required to explain their governance policies, including any special circumstances which have led them to adopting a particular approach. The Board should also disclose in the annual report the main features of the Group's risk management framework and internal control system.

The Chairman of the Committee shall report the proceedings of each Committee meeting to the Board.

7.0 Quorum and Meeting

The quorum necessary for the meeting shall be two and the majority of members present must be independent Directors. In the absence of the Chairman of the Committee, the Committee members who present shall elect one (1) of their number of whom is an Independent Director to be the Chairman of the meeting.

The Committee shall meet at least four (4) meetings in each financial year, and additional meetings may be called and convened by the Chairman of the Committee, or at the requisition of other Committee members, the internal auditors, or the external auditors. Attendance of other Directors, Management, or external parties (i.e., internal, or external auditors) at any particular Committee meeting shall be at the invitation of the Committee.

The Committee shall meet at least twice annually with the internal and external auditors without the presence of any Directors, Management, or employees of the Group. In addition, the Internal and external auditors may request a private session with the Committee to discuss any matter of

concern.

Any Committee member who is unable to be present physically at a meeting may participate the meeting using any technology that enables all Committee members as a whole to participate for the entire duration of the meeting which may include telephone, television, video conferencing, or any other audio and / or visual device which permits instantaneous communication. Such a member would be deemed to be present at the meeting.

Notice and agenda of the Committee meetings shall be circulated to all Committee members at least seven (7) days prior to each Committee meeting. A shorter notice may be circulated to the Committee members provided it is agreed by the Chairman and all members.

The Chairman will be in charge of setting the agendas for meetings, with assistance from the Company Secretary and input from the Committee members. Where necessary, Management or other people judged suitable to participate in this process that provided feedback shall be included in the agenda.

In place of formally calling a meeting, the Committee may occasionally and as needed, review, approve, and / or recommend pertinent topics by a Circular Resolution. The Circular Resolution shall have the same legal force and effect as if it had been approved by a regularly called meeting of the Committee. All Committee members must sign or approve any approval of the Committee acquired through a Circular Resolution. Please refer to the Group's Board Charter for further information on the approval of a Circular Resolution.

The majority of votes of the members present at the meeting shall be the decision of the Committee. In the case of equality of votes, the Chairman of the Committee shall have a second or casting vote. Members of the Committee is refrained from deliberations and voting regarding all or any matter that may lead to an expected or actual conflict of interest situations for the Committee member.

8.0 Company Secretary

The Company Secretary or his / her representative or other appropriate senior officer shall act as Company Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to Committee members prior to each meeting.

The Company Secretary should also ensure the Committee meetings are arranged and held accordingly as well as maintain structured communication channels between the Board and the Committee.

The Company Secretary or his / her representative or other appropriate senior officer shall also be in attendance at each Committee meeting and responsible for keeping the minutes of meetings of the Committee and circulating them to Committee members and to the other members of the Board.

9.0 Review of Performance Assessment

In order to assess the effectiveness of the members in performing the roles as stated in these terms of reference, the Committee shall conduct a self-assessment on an annual basis. The Nomination Committee shall review the term of office and performance of the Committee and each of its members annually to determine whether the Committee and its members have carried out their duties in accordance with the terms of reference and report to the Board accordingly.

The Board's role in reviewing the assessment of the members in the ARMC is to ensure that the Committee has enough, new, and appropriate skills and expertise as well as the right balance and composition in order to perform their roles in the most effective manner.

10.0 Minutes of the Meetings

The meeting minutes should record the discussions and decisions of the Committee based on the agenda during all meetings held by the Committee including any matters relating to Circular Resolution. Minutes of the Committee meetings shall be signed by Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

Minutes of each Committee meeting shall be tabled to the Board for notation and all minutes shall be kept at the Registered Office of the Company. Minutes of each meeting should be distributed accordingly via email to each member of the Committee. The Chairman of the Committee should also update the Board on the activities of the Committee during Board meetings.

Any resolution in writing signed or copies thereof signed or approved by telefax, electronic mail or any other electronic form by all the Committee members, shall be valid and effectual as if it had been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more of the Committee members.

11.0 Review of the Terms of Reference

Review of the terms of reference shall be done periodically or whenever is needed. Any modification to the Committee's terms of reference must be recommended to the Board for approval in the way that the Committee deems appropriate. The terms of reference will be evaluated, reviewed, and amended as needed, for example, when the Malaysian Code on Corporate Governance, Bursa Securities' MMLR, or any other regulatory requirements changes. When the Group makes changes to its direction or strategies that could have an impact on the Committee's role, it shall also be evaluated and revised.