



SAMCHEM GROUP RELATED PARTY TRANSACTIONS POLICY

Version 1.0

1. OBJECTIVES

- 1.1 To outline the procedures for purpose of identifying, monitoring, evaluating, reporting and approving related party transactions and recurrent related party transactions in order to ensure compliance with the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Bhd (“Bursa Malaysia”) and applicable laws.

2. APPLICATION AND SCOPE

- 2.1 This policy (“Policy Document”) applies to all directors of Samchem Holdings Berhad (“Samchem” or “Company”) and its subsidiaries.
- 2.2 This Policy Document sets out the requirements to be applied to all related party transactions entered into by Samchem to ensure that such transactions are conducted on arm’s length basis and in accordance with good governance and with appropriate disclosures.
- 2.3 It also serves as a guide to the Audit Committee (“AC”) and Board of Directors (“Board”) of Samchem in discharging its role, which is to provide oversight over RPTs and RRPTs within the Samchem Group.

3. DEFINITION OF RELATED PARTY & RELATED PARTY TRANSACTION

Some of the main definitions from the Listing Requirements are listed below:-

- 3.1 “Family” in relation to a person means such person who falls within any one of the following categories:
- (a) spouse;
 - (b) parent;
 - (c) child including an adopted child and step-child;
 - (d) brother or sister; and
 - (e) spouse of the person referred in point (c) and (d) above.
- 3.2 “Person connected” in relation to any person (referred to as “said Person”) means such person who falls under any one of the following categories:
- (a) a family member of the said Person;
 - (b) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the said Person, or a family member of the said Person, is the sole beneficiary;
 - (c) a partner of the said Person;

- (d) a person, or where the person is a body corporate, the body corporate or its directors, who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the said Person;
 - (e) a person, or where the person is a body corporate, the body corporate or its directors, in accordance with whose directions, instructions or wishes the said Person is accustomed or is under an obligation, whether formal or informal, to act;
 - (f) a body corporate in which the said Person, or persons connected with the said Person are entitled to exercise, or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or
 - (g) a body corporate which is a related corporation of the said Person.
- 3.3 **“Related Party”** in relation to a corporation means a director, major shareholder or persons connected with such director or major shareholder” (Reference: Chapters 1 and 10 of MMLR);
- 3.4 **“Related Party Transaction”** means a transaction entered into by the Company or its subsidiaries which involves the interest, direct or indirect, of a related party. (Reference: Chapters 1 and 10 of the MMLR);
- 3.5 **“Recurrent Related Party Transaction”** means a related party transaction which is recurrent, of revenue or trading nature, which is necessary for day to day operations of the Company or its subsidiaries. (Reference: Chapter 1 and Practice Note 12 of the Listing Requirements);
- 3.6 **“Transaction”** includes:
- (a) the acquisition, disposal or leasing of assets;
 - (b) the establishment of joint ventures;
 - (c) the provision of financial assistance;
 - (d) the provision or receipt of services; or
 - (e) any business transaction or arrangement entered into,
- by the Company or its subsidiaries BUT *excludes transaction entered into between the Company (or any of its wholly-owned subsidiaries) and its wholly-owned subsidiaries.* (Reference: Chapter 10 of the MMLR);

4. IDENTIFICATION OF RELATED PARTIES

- 4.1 Maintenance of records (list of Related Parties) will be compiled and kept by the Group Finance Department and circulated within the Group (i.e. Finance Department and Heads of Departments) annually or from time to time as necessary.
- 4.2 Directors / relevant officers and major shareholders of Samchem and all its subsidiaries are advised to understand and familiarise themselves with the list of Related Parties when entering into any transaction. Directors and major shareholders will be required to sign a form of declaration (Appendix) which shall be kept securely by the Finance Department. If there are any RPTs to be disclosed, the brief details of the transaction and the sums involved need to be disclosed by such director or major shareholder.

- 4.3 In the event that the proposed transaction is to be entered into with any of the Related Parties as identified in the list of Related Parties, such proposed transaction shall be reported to the Finance Department to ascertain the compliance requirements under the Listing Requirements. The relevant Head of Department or officer-in-charge of the Company/subsidiaries is required to report such transaction to the Financial Controller.

5. REPORTING REQUIREMENTS

RPT

- 5.1 Before entering into a commercial agreement / transaction / contract (Transaction) which with a related party or potentially a related party or Transaction exceeding RM500,000, the originator/buyer must notify and furnish the details of the Transaction to the Finance Department for verification of whether it is a RPT.
- 5.2 The vendors/customers transacting with the Group may also be requested to declare to Samchem whether it is a RPT to the Group.
- 5.3 All RPTS must be reviewed by the Financial Controller and verified with the company secretary.
- 5.4 On determination of an RPT, the Finance Department together with the company secretary will compute the percentage ratio in accordance with formulas prescribed in the Listing Requirement (as set out in Para 7 of this Policy Document) and ensure the compliance requirements as set out in Para 6 of this Policy document.
- (a) Less than 0.25% – no announcement required and the FC shall update the AC on a quarterly basis on the transactions (RPT of between RM150,000 and RM500,000 in value for each transaction is subject to the approval of any of the Executive Directors of the Company)
 - (b) 0.25% or more but less than 5% – preparation of draft announcement
 - (c) 5% or more – preparation of draft circular for the Company’s shareholder approval
 - (d) 25% or more – preparation of draft circular for the Company’s shareholder approval and appointment of independent and main advisors
- 5.5 For RPT requiring announcement,
- (a) the Company shall procure the preparation of the draft announcement
 - (b) The transaction is then submitted to the Audit Committee for review and clearance on whether the terms and conditions of the RPT to be entered into are at arm’s length, and on transaction prices and terms not more favourable to the related parties than those generally available to the public
 - (c) RPT announcement is submitted to Board for deliberation and approval based on AC’s recommendation (the Board’s approval is not required for RPTs with contract value less than 0.25% and no announcement will be made to Bursa Malaysia)
 - (d) If necessary, seek the approval of the board of the subsidiary on the transaction to be entered into by the subsidiary with the related party
 - (e) For transactions with percentage ratio of 5% or more, seek Samchem’s shareholder approval

- (f) Completion and signing of agreement/contract by Samchem / subsidiary
- (g) Immediate announcement by Company to Bursa Malaysia
- (h) Update of Register of Related Party by the Finance Department
- (i) Internal Auditor to review RPTs on periodic basis
- (j) Company to update AC on RPT records on quarterly basis

Recurring Related Party Transactions (RRPT)

5.6 The processes are the same as RPT reporting process are as below:

- (a) Identification and checking for RRPT element and contract value by originator/HOD. To obtain verification from the Finance Department, where necessary.
- (b) If it is RRPT, to notify and furnish the Transaction to the Finance Department.

5.7 The Finance Department will:

- (a) update the RRPT records; and
- (b) monitor if RRPT breach the threshold. Immediate announcement will be made if the percentage ratio of a RRPT is 1% or more and the contract value is RM1 million or more, whichever is the higher; or
- (c) make immediate announcement when the actual value of RRPT exceeds the estimated value of the RRPT disclosed in the circular by 10% or more.

5.8 Internal Auditor to review RRPTs on a quarterly basis.

5.9 RRPT records are tabled to the AC and Board on a quarterly basis.

6. DISCLOSURE REQUIREMENT

RPT

The disclosure requirements of a RPT under the MMLR are governed by percentage ratio threshold. The computation of the percentage ratios is provided for in Part 8 of this Policy Document. The formula to be used depends on the type of contract/transaction. The relevant obligations under the Listing Requirements will be invoked if any one of the thresholds are met. The disclosure requirements are as follows:

6.1 Samchem must make an immediate announcement to Bursa Malaysia of a RPT, where the percentage ratio is **0.25% or more** after the terms of the transaction has been agreed upon provided that the value of the consideration of the transaction is more than RM500,000 and it is not recurrent in nature.

6.2 If the percentage ratio for the RPT is **5% or more**, the Company must:

- (a) send a circular to the shareholders;
- (b) obtain shareholder's approval of the transaction in general meeting; and
- (c) appoint an independent adviser approved by the Securities Commission ("SC").

- 6.3 If the percentage ratio for the RPT is **25% or more**, the Company must in addition to 6.2 above, appoint a main adviser, who is a Principal Adviser approved by the SC. The Principal Adviser must:
- (a) advise the Company whether such transaction is carried out on fair and reasonable terms and conditions and not to the detriment of minority shareholders of the Company;
 - (b) ensure that such transaction complies with the relevant laws, regulations or guidelines, where applicable;
 - (c) ensure full disclosure of all information required to be disclosed in the announcement and circular; and
 - (d) confirm to Bursa Malaysia after the completion of the transaction and all the necessary approvals have been obtained, that it has discharged its responsibility with due care in regard to the transaction.
- 6.4 A director with interest, direct or indirect, must abstain from deliberation and voting on the relevant resolution in respect of the RPT at the Board meeting. In a general meeting to obtain shareholders' approval, a director or major shareholder with any interest, direct or indirect, or person connected to them must not vote on the resolution approving the transaction.
- 6.5 RPT entered by a subsidiary with another person where the **percentage ratio is equal to or exceeds 5%**, and the **only related party having an interest in such transaction is not a related party to Samchem Holdings Berhad**, only immediate announcement is required, subject to the following conditions:
- (a) Board of directors of SHB approves the transaction before the terms of transaction are agreed upon; and
 - (b) That the transaction is fair and reasonable and is in the best interests of the Company. When a RPT is involved, the Heads of Department ("HoD") or officers-in-charge of the subsidiaries are required to be mindful of the value of the contract/transaction.

Transactions not regarded as RPT

- 6.6 Transactions not regarded as RPT The following transactions are **not normally** regarded as RPT under paragraph 10.08(11) of the Listing Requirements:
- (a) The payment of dividend, issue of securities by the Company for cash (subject to paragraph 6.06 of the Listing Requirements), the issue of securities by way of a bonus issue, the grant of options and the issue of securities arising from the exercise of options under the Share Issuance Scheme, subscription of securities on a pro rata basis, subdivision of shares, or reduction in the par value of shares;
 - (b) A transaction between the Company or its subsidiaries and another person where there are no other interested relationships except for common directorships provided that the directors who have common directorships have shareholdings in the other person which is less than 5% other than via the Company. Also, there is no other interest such as commission or other kinds of benefits received from the Company or its subsidiaries or the other person in relation to the said transaction;

- (c) An acquisition or disposal by the Company or its subsidiaries from or to a third party of an interest in another corporation, where the related party holds less than 10% in that other corporation other than via the Company;
- (d) The provision or receipt of financial assistance or services upon normal commercial terms and in the ordinary course of business by a licensed institution whose activities are regulated by written law and are subject to supervision by Bank Negara Malaysia or an equivalent foreign regulatory authority as Bursa Malaysia deems appropriate;
- (e) Director's fees and remuneration, and employment remuneration;
- (f) A transaction between the Company or its subsidiaries, and another person for the provision or receipt of goods and services which are considered exempted transactions where:
 - (i) the goods or services are purchased, sold or rendered based on a non-negotiable fixed price or rate which is published or publicly quoted; and
 - (ii) all material terms including the prices or charges are applied consistently to all customers or classes of customers.

(the definition of goods, classes of customers and exempted transactions is as per the MMLR).
- (g) The entry into or renewal of tenancy of properties of not more than three (3) years, the terms of which are supported by an independent valuation;
- (h) A contract that is awarded by or on behalf of the Government or State Government provided an immediate announcement of the same is made to Bursa Malaysia;
- (i) A contract that is awarded by way of public tender;
- (j) A transaction between the Company or any of its subsidiaries and another person which involves the sharing of services or facilities provided by one or more of such parties or other similar arrangements whereby the consideration merely involves reimbursement or sharing of costs in proportion to the utilisation of the services or facilities.

Reference shall be made to the Listing Requirements for a complete list of the exempted transactions.

Recurrent Related Party Transaction (“RRPT”)

- 6.7 Paragraph 10.09 of the Listing Requirements states that a Company with an issued and paid-up capital RM60 million and above, must immediately announce a RRPT if:
 - (a) the consideration, value of the assets, capital outlay or costs of the RRPT is RM1 million or more; or
 - (b) the percentage ratio of the RRPT is 1% or more,

whichever is the higher.
- 6.8 Samchem may seek a mandate in respect of such RRPTs from the shareholders as long as the following conditions are met:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public;
- (b) the shareholders' Mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' Mandate during the financial year where the aggregate value is equal to or more than the prescribed threshold;
- (c) the Company's circular to shareholders for the shareholders' Mandate includes the information as prescribed by Bursa Malaysia. The draft circular must be submitted to Bursa Malaysia together with a checklist showing compliance with such information;
- (d) in a meeting to obtain the shareholders' Mandate, the relevant interested related party, must not vote on the resolutions approving the transactions. An interested director or interested major shareholder must ensure that persons connected to him abstain from voting on the resolutions approving the transactions;
- (e) Samchem must immediately announce to Bursa Malaysia when the actual value of the RRPT entered into by Samchem, exceeds the estimated value of the RRPT disclosed in the circular by 10% or more and must include the information as may be prescribed by Bursa Malaysia in its announcement; and
- (f) where Samchem has procured the shareholders' Mandate, the provisions of Paragraph 10.08 on the RPT shall not apply.

6.9 The following transactions are not regarded as RRPTs and therefore, the shareholders' Mandate does not apply:

- (a) the acquisition or disposal of land or land-based property except in the circumstances set out in paragraph 3.3(a) of the Practice Note 12;
- (b) the acquisition or disposal of vessels, air craft and plants;
- (c) the entry into a lease of: (i) a property for a period exceeding three (3) years; or (ii) such other assets, which involve payments of rental or such consideration on a lump sum basis (i.e. other than on an equal pro-rated monthly or annual installments);
- (d) the provision of financial assistance pursuant to paragraph 8.23 of the Listing Requirements;
- (e) the acquisition or disposal of securities except in the circumstances set out in paragraph 3.3(b) of the Practice Note 12;
- (f) the entry into joint ventures;
- (g) the grant or exercise of an option in relation to matters set out in subparagraph (a), (b), (c) and (e) above; and
- (h) such other transactions as may be determined by Bursa Malaysia from time to time.

7. Percentage Ratios

7.1 Percentage ratios are figures, expressed as a percentage, used to determine the materiality of RPT resulting from each of the following calculations:

- (a)
$$\frac{\text{The Value of the Assets which are subject matter of the transaction}}{\text{Net Assets of the listed issuer}}$$
- (b)
$$\frac{\text{Net Profits of the assets which are subject matter of the transaction}}{\text{Net Profits attributable to the owners of the listed issuer (before other comprehensive income of loss)}}$$
- (c)
$$\frac{\text{The Aggregate Value of the consideration given or received in relation to the transaction}}{\text{Net Assets of the listed issuer}}$$
- (d)
$$\frac{\text{The number of shares issued by the listed issuer as consideration for an acquisition}}{\text{Total number of Shares Previously in Issue (excluding treasury shares)}}$$
- (e)
$$\frac{\text{The Aggregate Value of the Consideration given or received in relation to the transaction}}{\text{Market Value of all the Ordinary Shares of the listed issuer (excluding treasury shares)}}$$
- (f)
$$\frac{\text{The total assets which are the subject matter of the transaction}}{\text{Total assets of the listed issuer}}$$
- (g) *In respect of joint ventures, business transactions or arrangements:*
$$\frac{\text{The total project cost attributable to the listed issuer}}{\text{Total assets of the listed issuer}}$$
- In respect of the Joint Venture Corporation is incorporated as result of the joint venture:*
$$\frac{\text{The total equity participation of the Listed Issuer in the joint venture corporation (based on the eventual issued capital of the joint venture corporation)}}{\text{Net assets of the listed issuer}}$$
- (h)
$$\frac{\text{The aggregate original cost of investment of the subject matter of transaction}}{\text{Net assets of the listed issuer (in the case of a disposal and where the acquisition of the subject matter took place within last 5 years)}}$$

Appendix: Related Party Declaration Form

Samchem Holdings Berhad

To be completed by directors of Samchem Holdings Berhad and its subsidiaries

List of transactions between related parties of Director / Major Shareholder / Persons Connected with the Company or subsidiaries in the last 12 months:-

Name of company / business / person	Shareholding (where applicable)	Position held by the related party	Nature of Transaction	Value of Transaction for the period

List of likely transactions between related parties of Director / Major Shareholder / Persons Connected with the Company or subsidiaries in coming 12 months

Name of company / business / person	Shareholding (where applicable)	Position held by the related party	Nature of Transaction	Estimated value of Transaction for the period