

RELATED PARTY TRANSACTIONS - POLICY AND PROCEDURES

1. POLICY

- 1.1 The objectives of this policy and procedures are to set out the general guidelines and the review, approval or ratification and monitoring procedures to be adopted across Mercury Securities Group Berhad ("**Mercury**" or "**Company**") and its subsidiaries ("**Group**") on Related Party Transactions ("**RPT**") and Recurrent Related Party Transactions ("**RRPT**") (as defined in Section 2 below).
- 1.2 The guiding principles are that RPT and RRPT when undertaken by the Group are at arm's length and on normal commercial terms which are not more favourable to the Related Party(ies) (as defined in Section 2 below) than those generally available to the public and are not on terms that are detrimental to the minority shareholders of Mercury.
- 1.3 The Company recognises that RPT and RRPT can present potential or actual conflict of interest and may raise questions about whether such transactions are in the best interests of the Company and our shareholders.
- 1.4 Non-compliance with the provisions of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"), Companies Act 2016 and other rules and regulations may subject the Company and our Directors and officers to enforcement actions by the relevant regulatory authorities such as reprimand, trading halt, suspension, civil or criminal sanctions.
- 1.5 Therefore, this Related Party Transactions – Policy & Procedures ("**Policy**") have been adopted by the Board of Directors ("**Board**") in order to set forth:
- (i) the guidelines under which certain transactions must be reviewed and approved or ratified by the Audit and Risk Management Committee ("**ARMC**") or the Board, as the case may be; and
 - (ii) the disclosure and approval requirements for RPT and RRPT as prescribed under Chapter 10 of the Listing Requirements and the Companies Act 2016.
- 1.6 All RPT and RRPT or potential RPT and RRPT, including RRPT whereby shareholders' mandate had been obtained but expired at the date of transaction:
- must be reported to the ARMC and referred for approval or ratification by the ARMC in accordance with this Policy; and
 - for the ARMC to report to the Board for approval, if required.
- 1.7 RRPTs with shareholders' mandate obtained and not expired shall be guided and governed by the shareholders' mandate obtained.

1.8 This Policy is applicable to all the Directors of the Company and its subsidiaries and Person Connected to them and Major Shareholders of the Company.

1.9 The Chief Financial Officer (“**CFO**”) is responsible for the implementation of the procedures relating to RPT and RRPT. The CFO shall render advice to the ARMC and the Board on a timely basis as and when it is sought. In complex or unclear cases, relevant external advice will be sought.

2. DEFINITIONS AND INTERPRETATIONS

2.1 For the purposes of this Policy, the following definitions shall apply:

- “**Chief Executive**” means the principal executive officer of the Company for the time being, by whatever name called, and whether or not he is a Director.
- “**Director**” has the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon:
 - (i) a Director of Mercury, its subsidiary or holding company; or
 - (ii) a chief executive of Mercury, its subsidiary or holding company.
- “**Major Shareholder**” means a person who has an interest or interests in one or more voting shares in Mercury and the number or aggregate number of those shares is:
 - (i) 10% or more of the total number of voting shares in Mercury; or
 - (ii) 5% or more of the total number of voting shares in Mercury where such person is the largest shareholder of Mercury. For the purpose of this definition, “**interest**” shall have the meaning of “**interest in shares**” given in Section 8 of the Companies Act 2016.

It includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of Mercury.

- “**Percentage Ratio**” having the meanings as defined in Chapter 10 of the Listing Requirements.
- “**Person Connected**” means a person connected as defined in Rule 1.01 of Chapter 1 of the Listing Requirements.
- “**Pre-Approved Transaction**” means transactions as ascribed in Rule 10.08 (11) of the Listing Requirements

- **"Related Party"** means a related party as defined in Rule 1.01 of the Listing Requirements. It generally refers to a Director, Chief Executive or Major Shareholder of Mercury or Person Connected with such Director, Chief Executive or Major Shareholder of Mercury, who are interested in the RPT or RRPT.
- **"Related Party Transaction" ("RPT")** means any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness or financial assistance) or any series of similar transactions, arrangements or relationships in which Mercury or any Mercury's subsidiary was, is or is proposed to be a participant and in which a Related Party has, had or may have a direct or indirect interest pursuant to Chapter 10 of the Listing Requirements.
- A **"Recurrent Related Party Transaction" ("RRPT")** means a related party transaction which is recurrent, of a revenue or trading nature and which is necessary for day-to-day operations of Mercury or subsidiaries pursuant to Chapter 10 of the Listing Requirements.
- A **"transaction"** shall include *inter-alia* the following:
 - (i) acquisition, disposal or leasing of assets;
 - (ii) establishment of joint ventures;
 - (iii) provision of financial assistance;
 - (iv) provision of receipt or services; or
 - (v) any business transaction or arrangement entered into.

3. IDENTIFICATION, REVIEW, APPROVAL AND RATIFICATION OF RPT AND RRPT

- 3.1. All Related Parties of the Company and its subsidiaries are responsible for providing written notice to the ARMC of any potential RPT and RRPT involving him/her or Person Connected to him/her, including any additional information about the transaction that the ARMC may reasonably request. The ARMC will determine whether the transaction does, in fact, constitute a RPT or RRPT, and may engage professional or obtain third party opinion on the matter as required.
- 3.2. In addition, at least once a year, during the annual evaluations, all Directors, Chief Executive and Major Shareholder (*if practical*) are required to complete a questionnaire disclosing names of companies in which he/she and/or their person connected hold directorships and/or substantial shareholding and any potential RPT and RRPT, if any.
- 3.3. All Head of Departments e.g. Sales and Marketing, Administration and Purchasing Department are required to submit new customer/supplier opening forms in which the owners / directors / shareholders of the new customers/suppliers will need to be disclosed. These forms need to be reviewed and approved in accordance with the Company's Delegated Approving Authorities.

- 3.4. Prior to any provision of any financial assistance under Chapter 8 of the Listing Requirements, the CFO to obtain the identity of the owners/directors/shareholders of the entity to which the financial assistance is to be provided.
- 3.5. The Group Finance Department, overseen by the CFO, to compile a listing of related parties, nature of RPT and RRPT, estimated value of annual transactions and control(s) put in place, subject to update from time to time based on Section 3.1 to 3.4, and subject to review by the CFO. Such acknowledged listing of RPT and RRPT will be disseminated to all Finance Department's personnel and Head of Departments such as Sales and Marketing, Administration and Purchasing Department.
- 3.6 It is the responsibility of the CFO to notify the ARMC of the new RPT and RRPT with information per Section 4.1 (*except for RRPT where prior shareholders' approval had been obtained and remain valid at the time of execution*). In the event that the CFO has an interest in the RPT and RRPT, the transaction shall be reported to the ARMC by the Managing Director.
- 3.7 All RPT and RRPT, (*except for RRPT where prior shareholders' approval had been obtained and remain valid at the time of execution*) must be subjected to formal review and approval or ratification by the ARMC, supported by information and documentations per Section 4.1, prior to committing or commencement of the intended transaction.
- 3.8. All RPT and RRPT will be reviewed by Management, without the participation of the interested Related Party(ies), on monthly basis, and reported by the CFO to the ARMC for review and approval or ratification at least once every quarter, during meeting of the ARMC and Board, held at least on a quarterly basis.
- 3.9 Pre-Approved Transactions shall be deemed to be pre-approved or ratified and shall not require review or approval by the ARMC e.g.:
 - (i) compensation paid to Directors and reported to the Inland Revenue Board and/or approved by the shareholders at a general meeting;
 - (ii) transactions (e.g. dividend and renounceable rights issues, bonus issue) where all the shareholders receive proportionate benefits; and
 - (iii) other types of transactions as set out in Rule 10.0.8 (11) of Chapter 10 of the Listing Requirements

4 REVIEW OF RELATED PARTY TRANSACTIONS

- 1.1. The ARMC shall be provided with the material facts of all new, existing or proposed RPT or RRPT that require the ARMC's approval (*including the terms of the transaction and the business purpose of the transaction*) and either approve, disapprove or ratify such transactions.
- 4.1 In assessing a RPT or RRPT, the ARMC shall consider such factors as it deems appropriate, including without limitation:

- the business reasons for the Company or its subsidiaries to enter into the transaction;
- the commercial reasonableness of the terms and conditions of the transaction;
- the materiality of the transaction to the Group;
- the terms of the transaction and whether the terms of the transaction are at arm's length, on terms not more favourable to Related Party(ies) than those generally available to the public, is not to the detriment of the minority shareholders and/or would apply on the same basis if the transaction did not involve a Related Party;
- the extent of the Related Party's interest in the transaction, if applicable;
- the impact of the transaction on a non-employee Director's independence;
- the actual or apparent conflict of interest of the Related Party participating in the transaction;
- the control(s) put in place to manage and mitigate conflict of interest; and
- Percentage Ratio of the contemplated transaction.

4.2 Interested Director shall not participate in the discussions, evaluation or approval of any RPT and RRPT for which he or she is a Related Party and will abstain from voting on the approval of the RPT and RRPT (*including Persons Connected to the Interested Director if a general meeting is to be contended to approve the RPT and RRPT*), except that the Interested Director shall provide all material information concerning the RPT and RRPT to the ARMC.

4.4 If RPT and RRPT will be ongoing, the ARMC may, in its discretion, establish guidelines for the Management (*except interested Related Party(ies)*) to follow in its ongoing dealings with the interested Related Party(ies). Thereafter, the ARMC shall periodically review and assess ongoing relationships with the Related Party(ies) to ascertain compliance with its guidelines.

4.5 If in any event, the ARMC decides not to ratify a RPT and RRPT that has been commenced without prior approval, the ARMC may direct additional actions, including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification.

4.6 In connection with any review of a RPT and RRPT, the ARMC has authority to modify or waive any procedural requirements of this policy.

2. TRANSACTION REQUIRING APPROVAL OF NON-INTERESTED SHAREHOLDERS

- 5.1 The Board shall table to the non-interested shareholders for approval in the event that any of the Percentage Ratio falls into the category of transaction which require the approval of non-interested shareholders at a general meeting to be convened.
- 5.2 The Board should engage adviser approved by the Securities Commission Malaysia to undertake advising on corporate finance (*including independent adviser*) as prescribed under the Listing Requirements when tabling RPT for the approval of the non-interested shareholders.

6. REGISTER OF RPT AND RRPT

- 6.1 All RRPT and RPT and their respective value, the basis of determining the transaction prices and supporting evidence and quotations obtained to support such basis shall be reported to the CFO as soon as proper approval is granted for execution.
- 6.2 The CFO shall maintain a register of RRPT and RPT with details as outline in Section 6.1 for auditing purposes.
- 6.3 The CFO shall report the Group's RRPT and RPT during meeting of the ARMC, held at least on a quarterly basis.

7. DISCLOSURES

- 7.1. All RPT and RRPT shall be reviewed by the ARMC and the Board to determine whether it is to be disclosed. For the avoidance of doubt, all RPT and RRPT must be disclosed based its Percentage Ratio as computed and guided by the disclosure requirements under Chapter 10 of Listing Requirements.
- 7.2. The CFO is responsible to compute the Percentage Ratio of all RPT and RRPT in compliance of the Chapter 10 of Listing Requirements. The CFO is to ensure that all disclosures on RPT and RRPT are to be in compliance with the Listing Requirements in particular the contents of the announcement and circular to shareholders ("**Circular**") include all the stipulated disclosures under the provisions of Chapter 10 of the Listing Requirements.
- 7.3. Prior to announcement of the RPT and RRPT, draft announcement and draft circular of RPT and shareholders' mandate for RRPT shall be subjected to review and approval by the ARMC on the draft announcement and draft Circular.
- 7.4 RPT and RRPT transacted during the financial year should be disclosed as a not to the annual financial statements.

8. APPROVAL OF RPT AND RRPT

8.1 At each annual general meeting, the Board shall propose and table resolution(s) for the shareholders to consider and if thought fit to:

- (i) approve any new RRPT; and
- (ii) renew its authority for existing RRPT

8.2 The Board shall seek shareholders' approval at a general meeting for approval of the RPT or RRPT. A Circular containing all relevant information required to be disclosed under the Listing Requirements shall be prepared and despatched for shareholders' information.

8.3 When required, the Board shall engage relevant and competence adviser(s) to assist in the preparation of the Circular and to provide independent opinion on whether the terms and conditions of the RPT and RRPT (*as the case may be*), are fair and reasonable and not to the detriment of the minority shareholders.

8.4 The non-interested Directors should provide their views and recommendation on the RPT in the Circular to enable non-interested shareholders to consider and voted for the resolution(s) to give effect to the RPT and RRPT.

9. LETTER OF CONFIRMATION FROM RELATED PARTIES

The Company Secretary shall obtained signed letter of confirmation from key management, Major Shareholder and Directors of the Company and its subsidiaries on an annual basis as to their interest in any transaction with companies within the Group.

1. AUTHORITY OF AUDIT AND RISK MANAGEMENT COMMITTEE

As the ARMC is entrusted by the Board with the task of executing and managing this Policy, the ARMC is vested with the following authority:

- have adequate resources which it needs to perform its duties;
- have full access to any information which it requires in the course of performing its duties;
- direct the Internal Auditor to perform regular inspection to ensure that RRPT have been entered into in accordance with this Policy. Any divergence shall be reported to the ARMC by the Internal Auditor;
- have direct communication channels with the Managing Director, Directors, Executive Officer and Major Shareholder, employees and any persons, as the case may be, to obtain information and feedback in performing its duties; and

- to engage the services of the external professional at the expense of the Company in carrying out its duties, if required.

11. INTERNAL AUDIT

The Internal Auditor shall conduct regular audit to:

- (i) ensure that this Policy had been implemented as intended and effectively;
- (ii) detect for any transaction that are RRPT and/or RPT in nature that does not undergo due process as required this Policy, if practicable;
- (iii) the recordings made in the Register of RPT and RRPT are accurate and complete supported by the relevant documents and properly authorised in accordance with the Delegated Approving Authorities; and
- (iv) provide recommendation for the ARMC to consider enhancing the internal controls over RRPT and RPT undertaken by the Company and its subsidiaries.

12. APPROVAL AND REVIEW BY THE BOARD

This Policy was approved and adopted by the Board and is subject to regular review by the Board to incorporate any new changes in the Listing Requirements, other rules and regulations and best practices on reviewing, approving, monitoring, ratifying and disclosing of RPT and RRPT.