

SENG FONG HOLDINGS BERHAD

Registration No. 202101022910 (1423210-X)

RELATED PARTY TRANSACTION POLICY

1. INTRODUCTION

Seng Fong Holdings Berhad (“the Company”) and its subsidiaries (“the Group”) would, in ordinary course of business, enter into transactions of revenue or trading nature with a related party or parties (“Related Party or Parties”).

2. OBJECTIVE

This policy is designed to ensure the related party transactions (“RPTs”) are carried out in the ordinary course of business, are made at arm’s length and on normal commercial terms which are not more favourable to the Related Party or Parties than those generally available to the public and are not on terms that are detrimental to the minority shareholders of the Group.

This policy also aims to comply with the Part E, Paragraph 10.08 and 10.09 of the Main Market Listing Requirements (“Listing Requirements”) and Practice Note 12 of Bursa Malaysia Securities Berhad.

3. DEFINITION

3.1 “Act” means the Companies Act 2016 as amended from time to time and any re-enactment thereof.

3.2 “Circular” means the Circular to Shareholders to be issued by the Company.

3.3 “CMSA” means the Capital Markets and Services Act 2007.

3.4 “Director” has the meaning given in section 2(1) of the CMSA 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:

- a. Director of the listed issuer, its subsidiary or holding company; or
- b. Chief Executive of the listed issuer, its subsidiary or holding company.

3.5 “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.

3.6 “person connected” in relation to a Director or major shareholder, means such person who falls under any one of the following categories:

- a. a family member of the Director or major shareholder;

- b. a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the Director or major shareholder, is the sole beneficiary;
- c. a partner of the Director or major shareholder, or a partner of a person connected with that Director or major shareholder;
- d. a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or major shareholder;
- e. a person in accordance with whose directions, instructions or wishes the Director or major shareholder is accustomed or is under an obligation, whether formal or informal, to act;
- f. a body corporation or its Directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or major shareholder;
- g. a body corporate or its Directors whose directions, instructions or wishes the Director or major shareholder is accustomed or under an obligation, whether formal or informal, to act;
- h. a body corporate in which the Director or major shareholder, or person connected with him/her 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
- i. a body corporate which is a related corporation.

3.7 “Related Party” means a Director, major shareholder or person connected with such Director or major shareholder.

3.8 “Recurrent Related Party Transaction” means a related party transaction which is recurrent, of a revenue or trading nature and which is necessary for day-to-day operations of a listed issuer or its subsidiaries.

3.9 “Related Party Transaction” means a transaction entered into by the listed issuer or its subsidiaries which involves the interest, direct or indirect, of a related party.

4. DISCLOSURE

4.1 Related Party Transaction (or “RPT”)

The disclosure requirements of RPT as prescribed by the Listing Requirements are governed by percentage ratio threshold. The computation of the percentage ratio are provided for in Paragraph 10.02 of the Listing Requirements. The disclosure requirements are as follows:

- The Company must make an immediate announcement to Bursa Securities, 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.

- Additionally,
 - (i) If the percentage ratio for the RPT is equal to or exceeds 5%, the Company must:
 - (a) send a Circular to the shareholders;
 - (b) obtain shareholder's approval of RPT in a general meeting; and
 - (c) appoint an independent adviser, approved by the Securities Commission ("SC").
 - (ii) If the percentage ratio for the RPT is equal to or exceeds 25%, the Company must in addition to (i) above appoint a main adviser, who is a Principal Adviser approved by the SC.
- The interested director in a RPT, must inform the Board of Directors of the Company or the subsidiary, the details of the nature and extent of his interest, including all matters in relation to the proposed transaction that he is aware or should reasonably be aware of, which is not in the best interest of the Company.
- The Company must also ensure that a director with interest, direct or indirect to abstain from deliberation and voting on the relevant resolution in respect of the RPT at the Board meeting. In a general meeting to obtain shareholder's 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.
- 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 the Company, only immediate announcement is required, subject to the following conditions:
 - (i) Board of Directors must approve the transaction before the terms of transaction are agreed upon;
 - (ii) The subject transaction is fair and reasonable and is in the best interests of the Company.
- Further reference should be made to Paragraph 10.08 (11) of the Listing Requirements whereby certain specified transactions are not normally regarded as RPT.

4.2 Recurrent Related Party Transaction

- Paragraph 10.09 of the Listing Requirements states that a listed company with an issued and paid-up capital of RM60 million and above, must immediately announce a Recurrent Related Party Transaction if:
 - (i) the consideration, value of the assets, capital outlay or costs of the Recurrent Related Party Transaction is RM1 million or more; or

(ii) the percentage ratio of the the Recurrent Related Party Transaction is 1% or more,

whichever higher.

- Disclosure will be made in accordance with Paragraph 3.1.5 of Practice Note 12 of the Listing Requirements in the Company's Annual Report of the breakdown of the aggregate value of Recurrent Related Party Transactions conducted, types of Recurrent Related Party Transactions made, names of the Related Party or Parties involved in each type of Recurrent Related Party Transactions and their relationship with the Company pursuant to the Proposed Shareholders' Mandate during the particular financial year, and in the Annual Report for the subsequent financial year that the Proposed Shareholders' Mandate continues to be in force.
- Immediate announcement will be made when actual amount of a Recurrent Related Party Transactions exceeds the estimated value of the Recurrent Related Party Transactions disclosed in the Circular by 10% or more and must include information as may be prescribed by Bursa Securities in its announcement.
- Some of the following are not regarded as Recurrent Related Party Transaction and as such the 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) herein; and

- (h) such other transactions as may be determined by Bursa Securities from time to time.

5. PROCEDURE

The Company has established a reporting process for the RPTs and Recurrent Related Party Transactions as follows:

5.1 RPT

- (a) Provision of available details of the proposed commercial agreement/contract and submission of the RPT Declaration Form to Group Finance Department or legal advisor;
- (b) Check for RPT element and contract value;
- (c) Obtain verification from Group Finance Department or legal advisor;
- (d) If it is RPT, prepare draft agreement/contract by the subsidiary legal officer. If the subsidiary does not have legal officer, preparation and review will be carried out by the Group legal advisor;
- (e) Subsidiary to furnish the following to Group Finance Department;
- (f) Draft announcement – for contract value of 0.25% or more but less than 5% of the percentage ratio. However, the contract value must be more than RM500,000;
- (g) Notify the Group Finance Department if the percentage ratio is 5% or more for preparation of draft circular to obtain the shareholders' approval;
- (h) Notify the Group Finance Department if the percentage ratio is 25% or more for preparation of draft circular to obtain the shareholders' approval, appointment of independent and main advisors.
- (i) Seek clearance from the Audit and Risk Management (“ARMC”) for transaction with a contract value of more than RM500,000 by way of submission of necessary paper on the proposed transaction to ARMC for review whereby the ARMC will then report the matter to its Board for information.
- (j) Complete signing of agreement/contract by the subject subsidiary;
- (k) Announcement by the Company (where necessary) to Bursa Securities with information provided by the Group Finance Department;

- (l) Group Finance Department to prepare and thereafter update RPT Register on quarterly basis.

5.2 Recurrent Related Party Transaction

- (a) Processes are the same as RPT reporting procedures under steps (a) to (e) above:
- Provision of available details of the proposed commercial agreement/contract and submission of the RPT Declaration Form to Group legal advisor and Group Finance Department;
 - Check for RRPT element and contract value;
 - Obtain verification from Group Finance Department;
 - Prepare draft agreement/contract by the Group legal advisor;
- (b) The status of the Recurrent Related Party Transactions will be reported by the Management to the ARMC and the Board on a quarterly basis;
- (c) Group Finance Department to consolidate all RRPTs entered by the Group;
- (d) Group Finance Department to prepare and thereafter update RRPT Register on quarterly basis.
- (e) The Recurrent Related Party Transactions will only be entered into after taking into account the pricing, quality of product/service, expertise and other related factors. The transaction prices will be determined by market forces which will depend on the supply and demand of the products/services and subject to the availability of the products/services in the market or at prices similar to those prices for transactions with unrelated third parties including, where appropriate, preferential rates and discounts accorded for bulk purchases (the same as are accorded to third party bulk purchase).
- (f) The terms and conditions of the transactions will be determined by the product/service provider's usual commercial terms or in accordance with applicable industry norm.
- (g) At least two (2) other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the Related Party or Parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities.

In the event that quotation or comparative pricing to unrelated third parties cannot be obtained (for instance, if there are no unrelated third party customers of similar products, or if the product is a propriety item), the transaction price will be determined based on the margin/price

transacted for other similar product/services and the transaction price will be reviewed taking into account prevailing market rates/prices that are agreed upon under similar commercial terms for transactions with third parties, business practices and policies and on terms which are generally in line with industry norms in order to ensure the Recurrent Related Party Transaction is not detrimental to the Group.

- (h) Records will be maintained by the Group Finance Department on all the Recurrent Related Party Transactions entered into pursuant to the Proposed Shareholders' Mandate to ensure that relevant approvals have been obtained and review procedures in respect of such transactions are properly adhered to.
- (i) The internal auditors will carry out annual review to ascertain that the established guidelines and procedures mentioned above for the Recurrent Related Party Transactions have been complied with. Based on the findings from the internal auditors, the Audit and Risk Management Committee will consider whether the established guidelines and procedures mentioned above for the Recurrent Related Party Transactions have become inappropriate, and/or are unable to ensure that the transactions will be on normal commercial terms, and/or will prejudice to the interests of minority shareholders.

6. THRESHOLD FOR APPROVAL

There is no specific threshold for approval for RRPT as the RRPT will be reviewed by the Audit and Risk Management Committee and approved by the Board.

7. REVIEW

This policy shall be reviewed annually by the Board.