



MMC CORPORATION BERHAD (30245-H)

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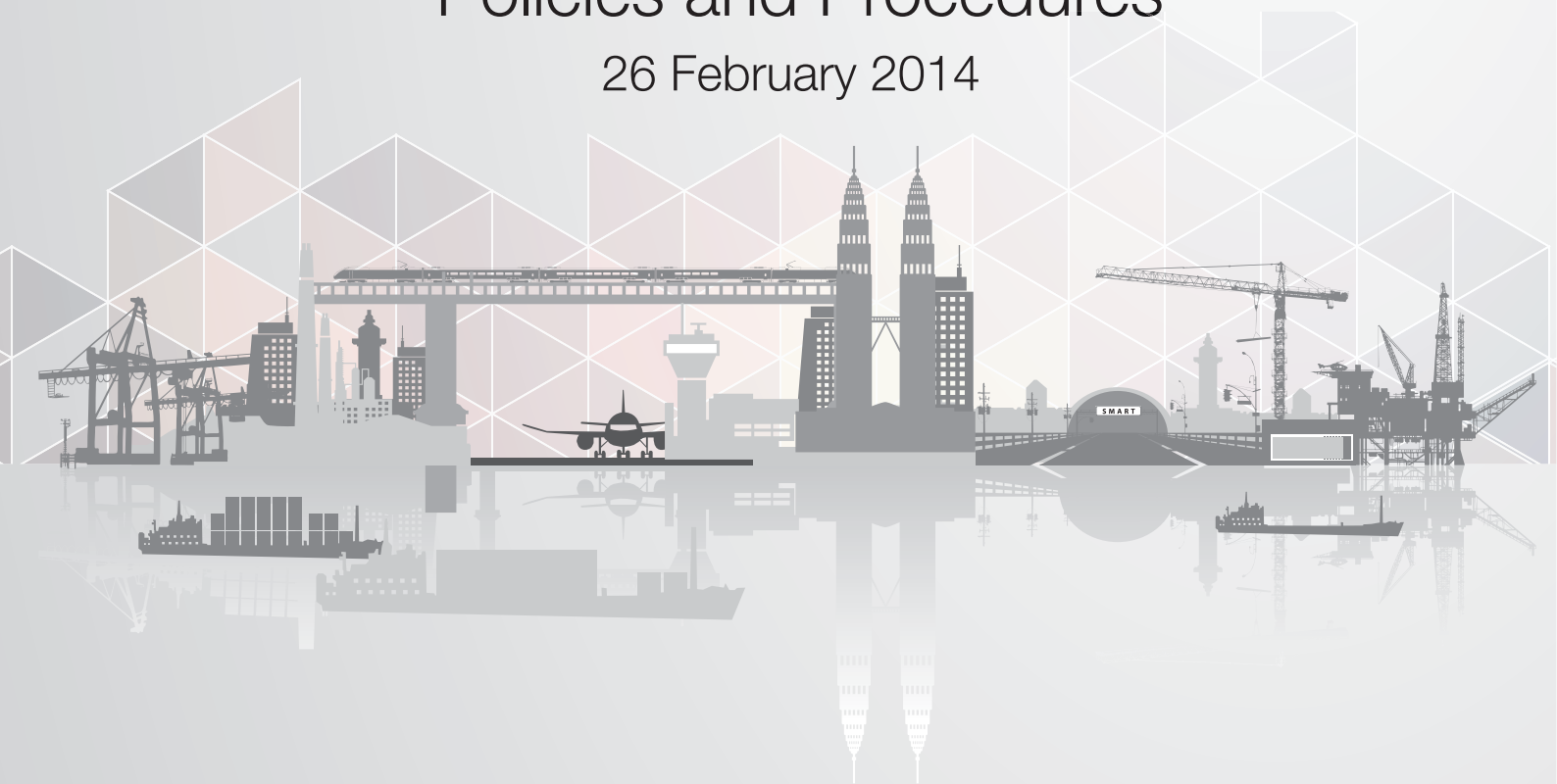


engineering & construction

# RELATED PARTY TRANSACTIONS

## Policies and Procedures

26 February 2014



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### **Note**

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The Company reserves the right to review, amend or update this Policy from time to time.

For any enquiries, please contact the Group Corporate Secretarial Department.

**I. SCOPE**

This policy applies to all MMC Corporation Berhad Group's ("MMC or the Company") employees including part time, temporary and contract employees.

**II. PURPOSE**

MMC is committed to the highest possible standards of ethical, moral and legal business conduct.

In line with this commitment and MMC's commitment to open communication, this policy aims to provide an avenue for employees to understand the policies and procedures that need to be adhered to in identifying and treating Related Party Transactions to ensure compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and other applicable laws.

**III. POLICY**

The main features of this policy are:

- To specify the principles to be adopted in relation to the conduct of a Related Party Transaction between the Company and/or its subsidiaries with a related party or parties;
- To provide guidance in the interpretation and application of those principles;
- To standardize the practices and procedures relating to the conduct of Related Party Transactions; and
- To specify the basis of proper disclosure of such Related Party Transactions.

It is the policy of the Company not to enter into any Related Party Transactions unless:

- The Audit Committee of MMC reviews such transaction in accordance with the guidelines set forth herein; and
- The transaction is approved by MMC/subsidiaries Board of Directors (based on the Company's Financial Authority Limits).

**IV. SAFEGUARDS**

Whenever in doubt as to whether the proposed transaction is a related party transaction, employees are encouraged to contact the Group Corporate Secretarial Department.

Although a Related Party Transaction may give rise to a conflict of interest, such a Related Party Transaction is allowed under the law, provided that the Related Party Transaction is entered into in the best interest of the Company and complies with the applicable laws.

In view of the sensitivity of a related party transaction, the transacting company/subsidiary should ensure that no preference is given to a Related Party prior to initiating the transaction. Where practicable, it may be appropriate for the transacting

company/subsidiary to obtain an independent review of the Related Party Transaction. In any event, there should be proper documentation relating to the basis under which the Related Party Transaction was entered into.

**V. CONCEPTUAL AND OPERATIONAL DEFINITIONS OF RELATED PARTY TRANSACTION**

This policy is not intended to provide for a comprehensive definition of all areas related to the subject matter based on the following reasons:

- (a) The actual definition of Related Party Transactions (“RPTs”) and Recurrent Related Party Transactions (“RRPTs”) are contained in the Listing Requirements. Hence, their deliberation in total within this procedure will only be a replication of such definitions;
- (b) Re-writing the complete set of those definitions could result in alteration and interpretation of their actual meaning due to the absence of a complete discussion of their contextual setting; and
- (c) Frequent amendments to the Listing Requirements may render the RPT and RRPT deliberations as deliberated herein, obsolete within a short time span.

It is therefore recommended that each department/subsidiary which is directly involved in disclosing these RPT and RRPT to constantly liaise and obtain a copy of the relevant reference documents from the Group Corporate Secretarial Department.

The following are some of the main definitions provided by the Listing Requirements:

- (a) Related Party refers to a “director, major shareholder or persons connected with such director or major shareholder” (Reference: Chapters 1 and 10 of the Listing Requirements);
- (b) Related Party Transaction refers to “a transaction entered into by the Company or its subsidiaries, which involves the interest, direct or indirect, of a related party” where the disclosure requirement is governed by percentage ratio threshold as detailed out in Part VII. The computation of the percentage ratio is provided in Part VIII. (Reference: Chapters 1 and 10 of the Listing Requirements);
- (c) Recurrent Related Party Transaction refers to a related party transaction which is recurrent, of a 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);
- (d) Transaction includes:
  - (i) the acquisition, disposal or leasing of assets;
  - (ii) the establishment of joint ventures;
  - (iii) the provision of financial assistance;
  - (iv) the provision or receipt of services; or
  - (v) 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 Listing Requirements);

- (e) Transaction not regarded as RPT and is exempted from any disclosure requirements is as prescribed in Part VII (2.0) (Reference: Chapter 10 of the Listing Requirements);
- (f) Transactions which are not regarded as RRPTs and therefore are to be excluded from the Circular to Shareholders are as listed in Part VII (3.0) (Reference: Practice Note 12 of the Listing Requirements).

## **VI. IDENTIFICATION**

### **List of Related Parties**

The list of Related Parties shall be kept by the Group Corporate Secretarial Department.

As the list may change from time to time, the Group Corporate Secretarial Department shall update the subsidiaries on the latest directors and major shareholders' interest on semi-annual basis. In the event that the proposed transaction is to be entered with any of the parties identified as a Related Party in the list of Related Parties, the proposed transaction shall be deemed a Related Party Transaction, provided it fulfills the requirements stated in the Listing Requirements.

The relevant Head of Department or the Chief Executive Officer of the subsidiaries is required to report such transaction to the Group Corporate Secretarial Department.

## **VII. DISCLOSURE REQUIREMENTS**

### **1.0 Related Party Transaction ("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 Part VIII. The disclosure requirements are as follows:

- MMC must make an immediate announcement to the Exchange, 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 RM250,000 and 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 the transaction 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 Principal Adviser must undertake the following:

- (a) ensure that such transaction is carried out on fair and reasonable terms and conditions and not to the detriment of the minority shareholders of the Company. The transaction must also comply with the relevant laws, regulations or guidelines, where applicable;
  - (b) ensure full disclosure of all information required to be disclosed in the announcement and circular;
  - (c) confirm to the Bursa Malaysia Securities Berhad ("Bursa Securities") that it has discharged its responsibility with due care in regard to the transaction, once the transaction has been completed and all the necessary approvals have been obtained.
- MMC must also ensure that 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 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.
- MMC must ensure that any vote of shareholders taken at the general meeting on the resolution approving the transaction is taken on a poll.
- 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 approves the transaction before the terms of transaction are agreed upon;
  - (ii) That the transaction is fair and reasonable and is in the best interests of the Company.

**2.0 Transactions not regarded as Related Party Transaction**

Certain specified transactions are not normally regarded as related party transactions under paragraph 10.08 (11) of the Listing Requirements. Some of these include:

- (a) The payment of dividend, issue of securities by the Company by way of a bonus issue or for cash (subject to paragraph 6.06 of the Listing Requirements), subdivision of shares, consolidation 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 and the directors who have common directorships having shareholdings which is less than 1% other than via the Company. There is no other interest such as commission or other kinds of benefits received from the Company or any of 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 5% in that other corporation other than via the Company;
- (d) The provision or receipt of financial assistance or services by a licensed institution upon normal commercial terms and in the ordinary course of business;
- (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;
  - (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 Listing Requirements).
- (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 Securities; or
- (i) A contract that is awarded by way of public tender.



### **3.0 Recurrent Related Party Transaction**

Paragraph 10.09 of the Listing Requirements states that a Company with an issued and paid-up capital of RM60 million and above, must immediately announce a Recurrent Related Party Transaction ("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 higher.

Nevertheless, MMC may seek a mandate in respect of such RRPT from the shareholders as long as the following conditions are met:

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

The mandate, will, if approved by the shareholders at the Annual General Meeting ("AGM"), be subject to annual renewal and shall continue to be in force until the conclusion of the next AGM of the Company. Thereafter, the said mandate will lapse, unless renewed.

MMC is required to disclose the aggregate value of the RRPT conducted pursuant to the Mandate in the Annual Report, where a breakdown of the aggregate value of the RRPT made during the financial year must be disclosed.

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.

#### **VIII. PERCENTAGE RATIO**

Percentage Ratios means the ratios used to determine the materiality of a Related Party Transaction and are expressed as a percentage resulting from the following calculations (Reference: Chapter 10 of the Listing Requirements):

1. The Value of the Assets which are subject matter of the transactions

---

Net Assets of the listed issuer

2. Net Profits (after deducting all charges and taxation excluding extraordinary items) attributable to the assets which are subject matter of the transaction

---

Net Profits of the listed issuer

3. The Aggregate Value of the consideration given or received in relation to the transaction

---

Net Assets of the listed issuer

4. The Equity Share Capital issued by the listed issuer as consideration for an acquisition

---

Equity Share Capital Previously in Issue (excluding treasury shares)

5. The Aggregate Value of the Consideration given or received in relation to the transaction

---

Market Value of all the Ordinary Shares of the listed issuer (excluding treasury shares)

6. The Total Assets which are the subject matter of the transaction

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Total Assets of the listed issuer

- 7(a). **In respect of joint ventures, business transactions or arrangements:**

The Total Project Cost Attributable to the Listed Issuer

---

Total Assets of the Listed Issuer

- (b). **In respect of the Joint Venture Corporation, incorporated as result of the joint venture:**

The Total Equity Participation of the Listed Issuer in the joint venture corporation (based on the eventual issued capital of the joint venture corporation)

---

Net Assets of the Listed Issuer

8. The Aggregate Original Cost of Investment of the subject matter of transaction
- 

Net Assets of the listed issuer

*(in the case of a disposal and where the acquisition of the subject matter took place within five (5) years)*

## **IX. REPORTING PROCESS**

MMC has established a process for all RPTs and RRPTs reporting, given as follows:

### **1.0 RPT**

- (a) Provision of available details of the proposed commercial agreement/contract and submission of the RPT Form to Group Legal and Group Company Secretary of MMC;
- (b) Check for RPT element and contract value;
- (c) Obtain verification from Group Company Secretary and Group Legal of MMC;
- (d) If it is RPT, prepare draft agreement/contract by the subsidiary legal officer;
- (e) If subsidiary does not have legal officer, preparation and review will be carried out by Group Legal;
- (f) Subsidiary to furnish the following to Group Company Secretary of MMC:
  - 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 RM250,000;
  - Notify the Group Company Secretary if the percentage ratio is 5% or more for preparation of draft circular to obtain MMC's shareholders' approval;
  - Notify the Group Company Secretary if the percentage ratio is 25% or more for preparation of draft circular to obtain MMC's shareholders' approval, appointment of independent and main advisors.
- (g) Seek clearance from subsidiary's Audit Committee ("AC") for transaction with a contract value of more than RM250,000;
- (h) Seek clearance from MMC's AC for transaction with a contract value of more than RM250,000 by way of submission of necessary paper on the proposed transaction to MMC's AC for review;
- (i) MMC will then submit the matter to its Board for information. MMC's Board is to take note of the review by MMC's AC;



- (j) Seek clearance from subsidiary's EXCO/Board, where necessary depending on the approving authority limit of the subsidiary;
- (k) Complete signing of agreement/contract by subsidiary;
- (l) Announcement by Group Company Secretary of MMC (where necessary) to Bursa Securities;
- (m) Update of RPT Register by the Group Corporate Secretarial Department.

The process flow chart for reporting of RPTs by the Group is attached as **Appendix A**.

## 2.0 RRPT

- (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 Form to Group Legal and Group Company Secretary of MMC;
  - Check for RRPT element and contract value;
  - Obtain verification from Group Company Secretary and Group Legal of MMC;
  - If it is RRPT, prepare draft agreement/contract by the subsidiary legal officer;
  - If subsidiary does not have legal officer, preparation and review will be carried out by Group Legal.
- (b) Table to subsidiary's Audit Committee and Board/EXCO (depending on authority limits) on a quarterly basis;
- (c) Furnish RRPT transactions tabled to subsidiary's Audit Committee and Board/EXCO to Group Corporate Secretarial for updating RRPT Register;
- (d) Group Company Secretary of MMC will consolidate all RRPTs entered by the Group;
- (e) Update of RRPT Register by the Group Corporate Secretarial Department.

## **X. ROLES AND RESPONSIBILITIES**

The roles and responsibilities of the respective departments/subsidiaries in providing the RPT/RRPT information is as follows:

- (a) Group Company Secretary
- (i) To provide the list of directors, major shareholders and persons connected with such directors or major shareholders to the Head of Departments/subsidiaries;
  - (ii) To update and advise the Head of Departments/subsidiaries of any new items and amendments to the Listing Requirements in relation to RPTs and RRPTs disclosure;
  - (iii) To advise and assist the subsidiaries on compliance with the disclosure requirement of the Listing Requirements with respect to RPTs and RRPTs;
  - (iv) To prepare the Circular to Shareholders document for obtaining the shareholders' mandate on the new RRPTs and/or their subsequent renewals.
- (b) Heads of Departments/subsidiaries
- (i) To identify the nature of each RPT/RRPT and their respective amount based on the list initially provided by the Group Company Secretary;
  - (ii) To inform the Group Company Secretary of any RPT/RRPT that requires immediate announcement to Bursa;
  - (iii) To prepare the board paper on the RPT/RRPT for presentation to the Audit Committee and/or the Board.

## **XI. GENERAL OBLIGATION OF THE TRANSACTING PARTY**

The general obligation to act in the best interests of the Company means that the transacting company/subsidiary is required to ensure that the proposed transaction is conducted at arm's length and on a commercial basis or better.

In originating a report to the Audit Committee for review, the transacting company/subsidiary should disclose the following:

- Appropriate documentation or records to justify the transaction;
- The price/value of the transaction;
- Rationale for the RPT; and
- Any other terms and conditions upon which the RRPT was entered into.

The records must be similar to those maintained for transaction with non-related parties. A report by the Internal Audit Department or an independent party on the reasonableness of the terms, would be required.

## **XII. ADDITIONAL COMPLIANCE**

In the event the proposed transaction requires an immediate announcement to be made, the procedures set out in MMC's Corporate Disclosure Policies and Procedures ("CDPP") is to be adhered to.

In the event the proposed transaction requires additional compliance with the Listing Requirements, such as issuance of Circular to Shareholder or Shareholder's Approval, the matter shall be referred to the Group Corporate Secretarial Department.

### **XIII. COMPLIANCE PROGRAMS**

It is the responsibility of each Head of Departments/Chief Executive Officer of subsidiary to set up and maintain an effective compliance program to prevent and detect violations of Related Party Transactions under the Listing Requirements and applicable laws. The compliance program should be tailored to the special circumstances of the business. The compliance program should have the following elements:

- Set standards and procedures that are reasonably capable of reducing the prospect of violations of this policy and applicable laws;
- Assign overall responsibility for compliance to specific high personnel;
- Screen employees and agents, to prevent discretionary authority from being delegated to persons who have demonstrated insensitivity to the requirements of this policy and the laws it covers;
- Implement educational and training programs that will enable employees to understand the basic requirements of this policy and applicable laws;
- Implement monitoring and auditing systems to detect violations of this policy and applicable laws;
- Establish and communicate a procedure for promptly reporting possible violations and concerns that protects against fear of retribution;
- Implement appropriate disciplinary mechanisms;
- Take remedial action to correct weaknesses and prevent recurrence of failures.

### **XIV. MAINTENANCE OF RECORDS**

The directors and major shareholders will be required to sign a form of declaration, which shall be kept securely and confidentially by the Group Corporate Secretarial Department.

If there are any related party transactions to disclose, the brief details of the transaction and the sums involved need to be disclosed by such director or major shareholder.

Additionally, the transacting company/subsidiary shall ensure proper maintenance and retention of documentation, to allow the RPT to be scrutinized by regulators or auditors. Such documentation should be readily accessible to regulators and other interested parties.

### **XV. QUARTERLY REVIEW**

All RPT shall be reviewed by the Internal Audit Department and the Group Corporate Secretarial Department from time to time to ensure compliance with the Listing Requirements and applicable laws. The findings shall then be reported to the Audit Committee and where necessary to the Board of Directors.

The transacting company/subsidiary shall, during the terms of an agreement governing, a RPT, ensure that such a transaction meets and continues to meet the following criteria:

- It should be in the best interest of the Company as a whole;
- It should represent fair value and be reasonable;
- It should be properly documented;
- It should be appropriately disclosed.

**XVI. RESOURCES**

The Group Corporate Secretarial Department will provide guidance, education, training, bulletins and procedures for implementing this policy, including requirements for reporting, monitoring and review.

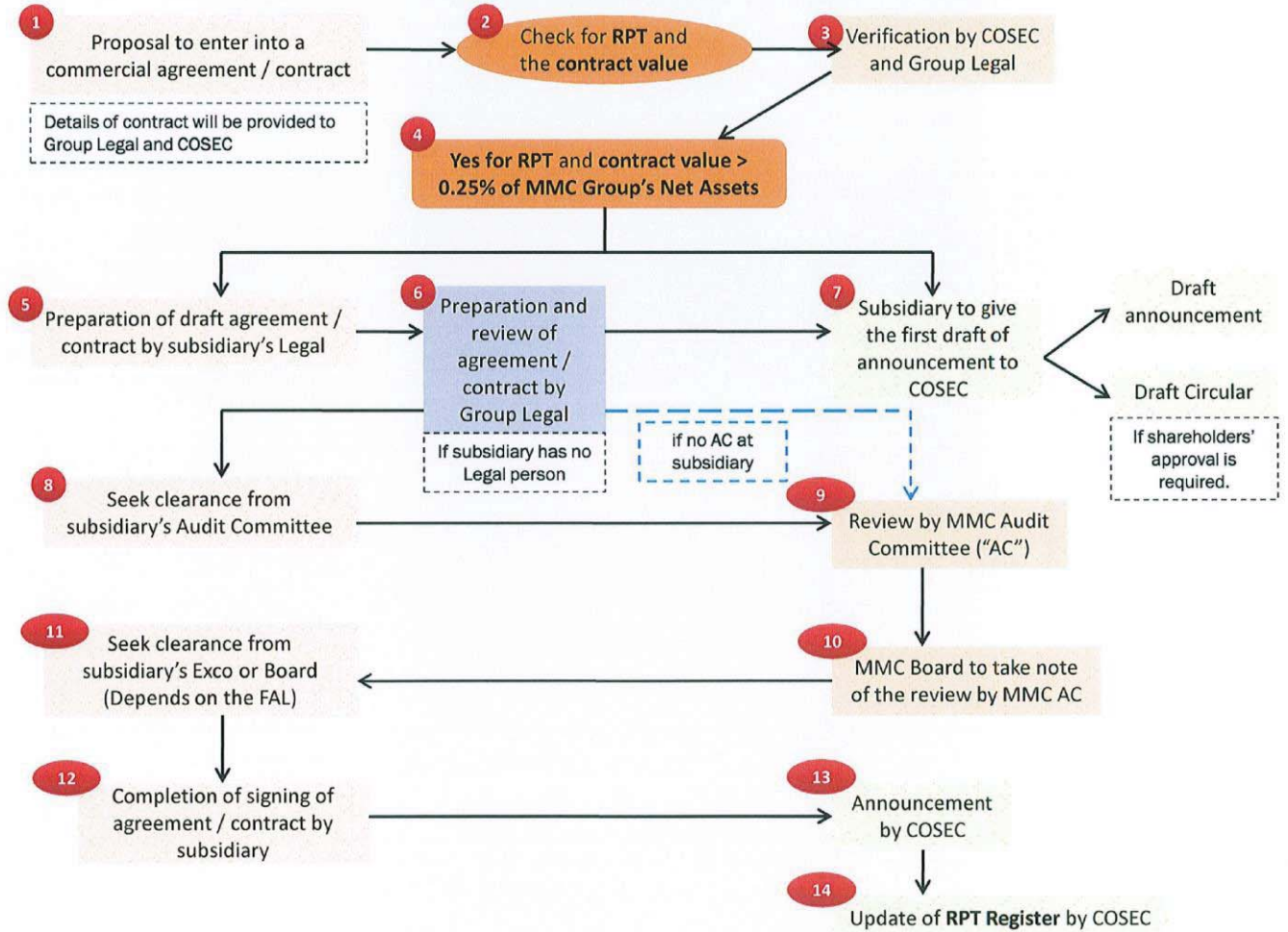
**XVII. MODIFICATIONS**

MMC reserves the right to modify or amend this policy at any time as it may deem necessary in order to align the policy with Listing Requirements, Companies Act 1965, Malaysian Code on Corporate Governance 2012 and any other applicable laws enforced at the time being.



**- Appendix A -**

**Process Flow Chart for Reporting of Related Party Transactions ("RPT") by MMC's Subsidiaries**



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