

RELATED PARTY TRANSACTION POLICY AND PROCEDURE

1. SCOPE

This policy applies to Ambest Group Berhad ("**Ambest**" or "**Company**") and all its subsidiaries and associate companies (collectively known as the "**Group**") employees.

2. PURPOSE

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

In line with this commitment and the Group'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 (as defined below) to ensure compliance with the ACE Market Listing Requirements ("**Listing Requirements**") issued by Bursa Malaysia Securities Berhad ("**Bursa Securities**") and all applicable laws.

3. POLICY

- To specify the principles to be adopted in relation to the conduct of a Related Party Transaction between the Group 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 Group not to enter into any Related Party Transactions unless:

- The Audit Committee of the Group has reviewed and has no objection to such transaction in accordance with the guidelines set forth herein; and
- All Related Party Transactions shall be approved by the Board of Directors of the Company upon recommendation by the Audit Committee.

4. SAFEGUARDS

Whenever in doubt as to whether the proposed transaction is a related party transaction, employees are encouraged to consult the Company Secretary of the Company.

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 Group and complies with the applicable rules and regulations.

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 (as defined below) 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.

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5. 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. Any person who is directly involved in identifying, evaluating and/or disclosing a related party transaction should refer to the relevant provisions relating to related party transactions as set out in the Listing Requirements which can be obtained from Bursa Securities website or from the Company Secretary.

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

- a) Related Party refers to a “director, major shareholder or a person connected with such director or major shareholder”. And for the purpose of this Policy, “director” and “major shareholder” have the meanings given in Rule 10.02 of the Listing Requirements;
- b) Related Party Transaction or an RPT refers to “a transaction entered into by the Company or its subsidiaries, which involves the interest, direct or indirect, of a related party” .;
- c) Recurrent Related Party Transaction or an RRPT 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 Group;
- d) A Transaction relating to a Related Party 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;

Transactions which are normally not regarded as RPT, hence not subject to the requirements as set out in Part VII (Section 1.0) are as listed in Part VII (Section 2.0);

Transactions which are regarded as RRPTs are as listed in Part VII (Section 3.0).

6. IDENTIFICATION

List of Related Parties

The list of Related Parties shall be kept by the Company Secretary of the Company.

As the list may change from time to time, the Company Secretary of the Company shall update the Group on the latest directors and major shareholders 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 fulfils the requirements stated in the Listing Requirements.

The relevant Head of Department is required to report such potential Related Party Transaction to the Company Secretary of the Company, who would in turn inform the Audit Committee of the Company for deliberation.

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7. OBLIGATIONS AND DISCLOSURE REQUIREMENTS

7.1 Related Party Transaction ("RPT")

The obligations and disclosure requirements of RPT as prescribed by the Listing Requirements are governed by percentage ratio threshold. The computation of the percentage ratio is provided for in Part VIII. The obligation and disclosure requirements relating to an RPT are as follows:

- (a) The Company must make an announcement to the Bursa Securities as soon as possible, of a RPT, where the percentage ratio is 0.25% or more after the terms of the transaction has been agreed upon, unless the value of the consideration of the transaction is less than RM200,000 or it is a Recurrent Related Party Transaction.
- (b) If the percentage ratio for the RPT is equal to or exceeds 5%, in addition to paragraph 1.0 (i) above, the Company must:
 - (i) engage the services of a sponsor or adviser, as the case may be; and appoint an independent adviser before the terms of the transaction are agreed upon;
 - (ii) send a circular to the shareholders, and
 - (iii) obtain shareholder's approval of the transaction in a general meeting.

The independent adviser must (i) be a person who is permitted to carry on the regulated activity of advising on corporate finance under the Capital Markets and Services Act 2007 ("**CMSA**"); and (ii) if appointed during the Sponsorship Period (as defined the Listing Requirement), be a person other than the Company's sponsor.

- (c) A director with any interest, direct or indirect ("**interested director**") must abstain from Board 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 related party, with any interest, direct or indirect ("**interested related party**"), must not vote on the resolution in respect of the RPT and the interested related party who is a director or major shareholder must ensure that persons connected to it must not vote on the resolution in respect of the RPT. Where the interested related party is connected with a director or major shareholder, such director or major shareholder must not vote on the resolution in respect of the RPT.
- (d) An interested director in a Related Party Transaction must inform the Board of Directors of the Company or its subsidiaries as the case may be, 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 or its subsidiaries, as the case may be.
- (e) Where an RPT is entered by a subsidiary of the Company with another person where the percentage ratio is equal to or exceeds 5%, and there are no other interested relationship except for a related party having an interest in such transaction who is a director or major shareholder of such subsidiary or the holding company of such subsidiary (other than the Company or the holding company of the Company) ("**said director**" or "**said major shareholder**"), or a person connected with the said director or said major shareholder, only an immediate announcement to the Bursa Securities is required and the Company is exempted from complying with the obligations as set out in paragraph 1.0 (ii) above, provided that the Board of Directors of the Company:
 - (i) approves the transaction before the terms of transaction are agreed upon; and
 - (ii) ensures that the transaction is fair and reasonable to the Company and is in the best interests of the Company.

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- (f) Obligations as set out in paragraphs 1.0 (ii) and (vi) do not apply to a RPT where the value of consideration of the transaction is less than RM200,000.

7.2 Transactions not regarded as RPT

The following transactions are not normally regarded as related party transactions (as set out under Rule 10.08 (11) of the Listing Requirements. Some of these include:

- (a) the issue of securities by the listed corporation for cash (subject to Rule 6.07), the issue of securities by way of bonus issue, the grant of options and the issue of securities arising from the exercise of options under a Share Issuance Scheme (subject to compliance with Chapter 6), subscription of securities on a pro rata basis, subdivision of shares, consolidation of shares or payment of dividend;
- (b) a transaction between the Company or any of 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 and 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 any of 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, from a corporation whose activities are regulated by any written law relating to banking, finance corporations or insurance and are subject to supervision by Bank Negara Malaysia or an equivalent foreign regulatory authority as Bursa Securities deems appropriate;
- (e) director's fees and remuneration, and employment remuneration;
- (f) a transaction between the Company or any of 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 defined under Rule 10.08 (11)(g) of 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 of Malaysia or a State Government to the Company or its subsidiaries, provided an immediate announcement of the same is made to Bursa Securities; or
- (i) a contract that is awarded by way of public tender.
 - (i) in relation to the listed awardee or its subsidiaries provided that the Company immediately announces to Bursa Securities the terms of the awarded contract, the value of at least the 3 closest bids or if not applicable, such lesser number

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of bids received, and an explanation of the basis for selecting the winning bid;
and

- (ii) in relation to the successful listed bidder or its subsidiaries provided that the awarder is listed or is a subsidiary of a listed corporation; majority of the directors and members of the audit committees of the listed corporations (whether as the bidder or the awarder or the holding companies of the bidder or awarder subsidiaries) are different; and the listed bidder immediately announces the contract to Bursa Securities.
- (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 of 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;
- (k) a transaction between the Company or any of its subsidiaries and another person where there are no other interested relationships except for the related party having shareholdings in the other person which is less than 10% other than via the Company;
- (l) a transaction between the Company or any of its subsidiaries and another person where there are no other interested relationships except for –
 - (i) common major shareholders; or
 - (ii) a person connected with a major shareholder being a major shareholder of the other person,

provided that the following conditions are satisfied:

- (aa) the major shareholder and/or the person connected with the major shareholder is/are not the largest shareholder of the Company;
- (bb) the major shareholder and/or the person connected with the major shareholder is/are not a party to the said transaction, initiator, agent or involved in any other manner in the said transaction;
- (cc) the major shareholder does not have any representative in an executive capacity on the board of directors of the Company or any of its subsidiaries; and
- (dd) the major shareholder is:
 - (A) a statutory institution who is managing funds belonging to the general public;
 - (B) a closed end fund, unit trust or investment fund (but excluding an investment holding corporation); or
 - (C) an insurance corporation whose activities are regulated by any written law relating to insurance and are subject to supervision by Bank Negara Malaysia or an equivalent foreign regulatory authority as Bursa Securities deems appropriate, and the said insurance corporation is managing its insurance fund (together with its own shareholders' funds or otherwise). For the purposes of this subparagraph, "**insurance fund**" has the meaning given in section 2 of the Financial Services Act 2013;
- (m) a transaction between the Company and another person where there are no other interested relationships except for a related party who is a director or major shareholder of a subsidiary of the or person connected with such director or major shareholder having an interest in the transaction;
- (n) a transaction between a subsidiary of the Company ("**transacting subsidiary**") and another person where there are no other interested relationships except for a related

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party who is a director or major shareholder of a subsidiary of the listed issuer (other than the transacting subsidiary or holding companies of the transacting subsidiary) or a person connected with such director or major shareholder having an interest in the transaction;

- (o) subscription to or acquisition by the Company or its subsidiaries not listed on any stock exchange, of debt securities and/or redeemable preference shares issued or guaranteed by the Government of Malaysia, Bank Negara Malaysia, a State Government or an equivalent foreign regulatory authority as Bursa Securities deems appropriate; or
- (p) a disposal by the Company or any of its subsidiaries of an interest in an investee corporation where a related party is also a major shareholder or person connected with a major shareholder of the investee corporation (other than via the Company), provided that:-
 - (i) the related party, person connected with the related party or both, are not a party, initiator or agent to the said disposal; and
 - (ii) the disposal is effected on Bursa Securities where the counterparty's identity is unknown to the Company or its subsidiaries (as the case may be) at the time of the disposal.

For the purpose of this subparagraph (p), a “**disposal**” includes a disposal by the Company or any of its subsidiaries of an interest in an investee corporation on a pro-rata basis or arising from an acceptance of a take-over offer, except that subparagraph (p)(ii) above will not be applicable in such instances.

7.3 Recurrent Related Party Transactions (“RRPT”)

- (a) Notwithstanding the exception to make announcement for a RRPT as provided under paragraph 1.0 (a) of Part VII above, Rule 10.09 of the Listing Requirements states that a company must immediately announce a RRPT:
 - (i) where the Company has a share capital of RM60 million and above,
 - aa. the consideration, value of the assets, capital outlay or costs of the RRPT is RM1 million or more; or
 - bb. the percentage ratio of such RRPT is 1% or more,whichever is the higher, or
 - (ii) where the Company has a share capital which is less than RM60 million:
 - (aa) the consideration, value of the assets, capital outlay or costs of the RRPT is RM1 million or more; or
 - (bb) the percentage ratio of such RRPT is 1% or more,whichever is the lower.
- (b) The Company may seek a mandate from its shareholders for the RRPTs, subject to the following:
 - (i) The transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;

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- (ii) The shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the Company 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 as provided in paragraph 3.0 (a) above;
 - (iii) The circular to shareholders of the Company for the shareholder's mandate should include the information as prescribed by Bursa Securities. The draft circular must be submitted to Bursa Securities together with a checklist showing compliance with such information;
 - (iv) In a meeting to obtain the shareholder's mandate, the relevant related party must comply with the requirements as set out in paragraph 1.0 (c) above; and
 - (v) The Company must immediately announce to Bursa Securities when the actual value of the RRPT entered into by the 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 (cross reference to Guidance Note 8 of the Listing Requirements).
- (c) Where the Company has procured a shareholder's mandate for an RRPT pursuant to Section 3.0 herein, the requirements under Section 1.0 herein shall not apply.
- (d) For greater clarity on meaning of "revenue nature necessary for day-to-day operations" and "in the ordinary course of business", refer to Guidance Note 8 under the Listing Requirements.
- (e) The shareholders' mandate for RRPT is subject to annual renewal and shall continue to be in force until (i) the conclusion of the first annual general meeting ("**AGM**") of the Company following the general meeting at which such mandate was passed at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; (ii) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but must not extend to such extension as may be allowed under Section 340(4) of the Companies Act, 2016; or (iii) revoked or varied by resolution passed by shareholders of the Company in general meeting, whichever is the earlier.
- (f) Some of the followings are not regarded as RRPT and as such the shareholders' mandate does not apply:
 - (i) the acquisition or disposal of land or land-based property except in the circumstances set out in paragraph 3.3 (a) of the Guidance Note 8;
 - (ii) the acquisition or disposal of vessels, air craft and plants;
 - (iii) 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 instalments);
 - (iv) the provision of financial assistance pursuant to Rule 8.25 of the Listing Requirements;

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- (v) the acquisition or disposal of securities except in the circumstances set out in paragraph 3.3 (b) of the Guidance Note 8;
- (vi) the entry into joint ventures;
- (vii) the grant or exercise of an option in relation to matters set out in subparagraph (i), (ii), (iii) and (iv) above; and
- (viii) such other transactions as may be determined by Bursa Securities from time to time.

8. PERCENTAGE RATIO

Percentage ratio means the ratios used to determine the applicable threshold of an RPT or RRPT and are expressed as a percentage resulting from the following calculations as set out in Rule 10.02(g) and Rule 10.03 of the Listing Requirements.

9. REPORTING PROCESS

The Company has established a process for reporting of RPT and RRPT as follows:

1.0 RPT

- (a) Person involved in a potential RPT is required to carry out the following procedures:
 - (i) assess the nature and extent of interest, direct or indirect, of any Related Party in the proposed transaction;
 - (ii) provide relevant details of the proposed transaction together with the salient terms and/or the draft agreement/contract to the Company Secretary of the Company; and
 - (iii) obtain verification from Company Secretary of the Company whether the proposed transaction is regarded as an RPT and confirm the obligation and disclosure requirements relating thereto;
- (b) If the Company Secretary confirms that the proposed transaction is regarded as an RPT, the Company Secretary shall carry out the following: -
 - (i) inform Audit Committee of the Company ("AC");
 - (ii) ascertain the percentage ratio to determine the obligations and disclosure requirements;
 - (iii) send the draft agreement/contract to the Group's legal counsel (internal or external);
 - (iv) draft an announcement and circular to shareholders, where required;
 - (v) appoint a sponsor or adviser and an Independent Adviser in consultation with the AC, if required;
 - (vi) arrange for the submission of necessary information paper on the proposed transaction by the person involved in the RPT for deliberation and clearance of the AC;
 - (vii) upon recommendation of the AC, submit the matter to its Board for information and/or for approval, if required;
 - (viii) prepare and circulate a Board resolution for the approval of the Board of Directors, if required and ensure that interested directors shall abstain from voting on that resolution;

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- (ix) authorise the signatory as approved by the Board of Directors of the Company to execute agreement/contract on behalf of the Company or the transacting subsidiary;
- (x) announce (where necessary) to Bursa Securities; and
- (xi) update of RPT Register;
- (xii) arrange for the circular to shareholders relating to the RPT to be submitted to Bursa for review, where required; and
- (xiii) arrange for the general meeting of the Company to be convened to approve the RPT, where required.

2.0 RRPT

(a) Person involved in the potential RRPT is required to carry out the following procedures: -

- (i) assess the nature and extent of interest, direct or indirect, of any Related Party in the proposed transaction;
- (ii) provide relevant details of the proposed transaction together with the salient terms and/or the draft agreement/contract to the Company Secretary of the Company; and
- (iii) obtain verification from Company Secretary of the Company whether the proposed transaction is regarded as an RRPT and confirm the obligation and disclosure requirements relating thereto;

(b) If the Company Secretary confirms that the proposed transaction is regarded as an RRPT, the Company Secretary shall carry out the following:-

- (i) inform Audit Committee of the Company ("**AC**");
- (ii) ascertain the percentage ratio to determine the obligations and disclosure requirements and ascertain if the Company is able to apply for a shareholders' mandate;
- (iii) send the draft agreement/contract to the Group's legal counsel (internal or external);
- (iv) draft an announcement and circular to shareholders, where required;
- (v) appoint a sponsor or adviser in consultation with the AC, if required;
- (vi) arrange for the submission of necessary information paper on the proposed transaction by the person involved in the RRPT for deliberation and clearance of the AC;
- (vii) Upon recommendation of the AC, submit the matter to its Board for information and/or for approval, if required;
- (viii) prepare and circulate a Board resolution for the approval of the Board of Directors, if required and ensure that interested directors shall abstain from voting on that resolution;
- (ix) authorise the signatory as approved by the Board of Directors of the Company to execute agreement/contract on behalf of the Company or the transacting subsidiary;
- (x) announce (where necessary) to Bursa Securities;
- (xi) update of RRPT Register;
- (xii) arrange for the circular to shareholders relating to the RRPT to be submitted to Bursa for review, where required; and
- (xiii) arrange for the general meeting to be convened to approve the shareholders' mandate for the RRPT, where required.

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10. 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 or information paper to the Audit Committee for review and deliberation, the transacting company/subsidiary should disclose the following:

- appropriate documentation or records to justify the transaction;
- the price/value of the transaction;
- rationale and benefits for the RPT to the Company; and
- any other salient terms and conditions upon which the RRPT was entered into.

Where applicable, an expert report or opinion (including property valuation report, legal opinion, tax advice, etc) from an inhouse expert or third-party expert should be provided.

11. MAINTENANCE OF RECORDS

The Company Secretary shall be responsible to maintain and kept list of all directors and major shareholders of the Company and its subsidiaries and persons connected with such directors or major shareholders.

The Company Secretary shall also maintain proper records of all documents submitted to the AC and the Board of Directors of the Company for deliberation, and maintain proper minutes of discussion relating to the RPT and RRPT.

The person responsible for the RPT and RRPT shall maintain proper records of all information relating to such RPT and RRPT, including the relevant correspondences with the related party, formal agreements/contracts, basis of arriving at salient terms and pricing of the transaction, etc.

All records required to be maintained pursuant to this policy shall be retained for a period of not less than seven (7) years to facilitate any scrutiny by the regulators and/or auditors.

12. QUARTERLY REVIEW

All RPT entered into by the Company or its subsidiaries shall be reviewed by the Internal Audit Department from time to time to ensure compliance with the Listing Requirements and applicable rules and regulations. The findings shall then be reported to the Audit Committee on a quarterly basis for review and to the Board of Directors for information.

13. MODIFICATIONS

These Policy and Procedures shall be reviewed by the Audit Committee from time to time in compliance with the prevailing rules and regulations affecting RPT and RRPT. Any amendments or modifications to these Policy and Procedures shall be subject to the approval of the Board of Directors of the Company.