

RELATED PARTY TRANSACTION - POLICIES AND PROCEDURES

1. INTRODUCTION

Pelangi Publishing Group Bhd (“PPG or the Company”) and its subsidiaries (“the Group”) would in the ordinary course of business, enter into transactions of revenue or trading nature with a related party.

2. OBJECTIVE

This policy is designed to ensure the related party transactions (“RPT”) 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 PPG.

This policy also aims to comply with Part E, Paragraph 10.08 and 10.09 of the Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities” and other applicable laws.

3. DEFINITION

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 (“RPT”) 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 prescribed threshold as detailed out in 10.08 of the Listing Requirements of Bursa Securities.
- c. Recurrent Related Party Transaction (“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 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 10.08(11) of the Listing Requirements;
- f. Transactions which are not regarded as RRPTs and therefore are to be excluded from the Circular to Shareholders. (Reference: 3.3 (a) of the Practice Note 12 of the Listing Requirements).

4. POLICIES AND PROCEDURES

- a. the transactions with the Related Party or Parties will only be entered into after taking into account the pricing, quality of product, 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 and subject to the availability of the products 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);
- b. the terms and conditions of the transactions will be determined by the product provider’s usual commercial terms or in accordance with applicable industry norm;
- c. records will be maintained by the Company to record all the Recurrent 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 adhered to;
- d. At least one (1) other contemporaneous transaction 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 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 Transaction is not detrimental to the Group.

- e. The Audit Committee ("AC") of PPG has in place adequate procedures and processes to monitor, track and identify Recurrent Transactions in a timely and orderly manner, and the frequency of review of these procedures and processes;
- f. The AC periodically reviews the procedures set by PPG to monitor related party transactions to ensure that these transactions are carried out on normal commercial terms not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company. All reviews by the AC are reported to the Board for further action. In its review and approval of such transactions, the AC may, as it deems fit, request for additional information pertaining to the transactions from independent sources or professionals; and
- g. All the Directors and major shareholders are required to declare and disclose any transaction in which they are deemed interested and such transactions must be subject to the scrutiny of the AC. In addition, the Directors and Major Shareholders have given their undertakings that all business transactions entered into between the Group and themselves and/or Persons Connected with them shall be negotiated on and agreed at arm's length basis on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

5. THRESHOLD FOR APPROVAL

The threshold for Recurrent Transactions will be determined by AC on a yearly basis subject to the provisions in the Listing Requirements and/or the Act, where necessary. Where any Director has an interest (direct or indirect) in any Recurrent Transactions, such Director shall abstain from deliberation and voting on the matter.

6. DISCLOSURE

(a) Related Party Transaction ("RPT")

The disclosure requirements of RPT as prescribed by the Listing Requirements are governed by percentage ratio threshold. In compliance to the Listing Requirements, PPG must:

- i. make an immediate announcement to the Exchange, of a RPT, where the percentage ratio is $\geq 0.25\%$ after the terms of the transaction has been agreed upon provided that the value of the consideration of the transaction is $> \text{RM}500,000$ and it is not recurrent in nature.

If the percentage ratio for RPT is $\geq 5\%$, the Company must:

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

The independent adviser must, in relation to the transaction:

- a. comment as to
 - i. whether the transaction is fair and reasonable so far as the shareholders are concerned; and
 - ii. whether the transaction is to the detriment of minority shareholders, and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;
- b. advise minority shareholders on whether they should vote in favour of the transaction; and
- c. take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in subparagraphs (a) and (b) above.

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. 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 the Bursa Securities that it has discharged its responsibility with due care in regard to the transaction, after the transaction has been completed and all the necessary approvals have been obtained.

PPG 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 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.

PPG must ensure that any vote of shareholders taken at the general meeting on the resolution approving the transaction is **taken on a poll**.

(b) Recurrent Related Party Transaction ("RRPT")

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 RRPT if:

- i. the consideration, value of the assets, capital outlay or costs of the RRPT is RM1 million or more; or
- ii. the percentage ratio of the RRPT is 1% or more,

whichever is the higher.

Nevertheless, PPG 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, on terms not more favourable to the related parties than those generally available to the public;
- b. the shareholder 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 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 shareholders' mandate includes 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;
- d. in a meeting to obtain the shareholder 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. PPG must immediately announce to Bursa Malaysia when the actual value of the RRPT entered into by the PPG 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 Malaysia in its announcement; and
- f. where PPG has procured a shareholders' 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.

PPG is required to disclose the aggregate value of the RRPTs conducted pursuant to the shareholders' mandate in the annual report, where a breakdown of the aggregate value of the RRPTs made during the financial year must be disclosed.

7. CONFLICT OF INTEREST

An employee must adhere to the highest standards of honest and ethical conduct. These include, but are not limited to, sensitivity to the existence of a conflict of interest or the appearance of a conflict of interest.

A conflict of interest exists when an employee's personal interest interferes, or appears to interfere, in any way with the interests of the Company's or its customers, or when an employee otherwise takes actions or has interest that may make it difficult to perform his or her Company work objectively and effectively. For example, a conflict of interest would arise if an employee, or a member of his or her family, receives improper personal benefits as a result of his/her position with the Company.

While not all-inclusive, the following examples of outside financial interests will serve to illustrate some of the types of activities that might cause conflicts of interest:

- i. The employee shall not, without the prior expressed written consent of the Company which consent shall not be unreasonably withheld, either directly or indirectly during the continuance of his or her employment with the Company, be engaged in any capacity in any trade, business or occupation whatsoever other than being in the employ of the Company.
- ii. Conducting business, not on behalf of the Company, with any of the Company's clients, supplier, officers or staffs.
- iii. Company employees are prohibited from using opportunities discovered in the course of their employment for their own personal gain or benefit. For example, if, in his or her capacity as a Company employee or representative, an employee, officer or a Director of the Company is approached about or otherwise becomes aware of a potential investment that may be appropriate for the Company, such individual should not take that opportunity for himself or herself, but should bring it to the attention of his or her manager or other appropriate Company personnel.

The key addressing conflicts of interest is full disclosure. Often, just disclosing the potential conflict to the Company is the only action required. If you believe you may have a potential conflict of interest, you must discuss the situation with you Manager.

8. PERIODIC REVIEW AND MODIFICATIONS

This policy shall be reviewed annually by the Board.

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