



CRITICAL HOLDINGS BERHAD

(Registration No. 202201031781 (1477478-K))
(Incorporated in Malaysia)

POLICY ON RELATED PARTY TRANSACTIONS (“RPT”)

PURPOSE

Related Party Transaction 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 Transaction to ensure compliance with the Ace Market Listing Requirements of Bursa Malaysia Securities Berhad (“AMLR”) and other applicable laws.

POLICY

Critical Group recognizes that the Related Party Transaction can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company’s and its stockholders’ best interests.

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

- The Audit and Risk Management Committee of the Board of Directors review and approve or rectify such transactions in accordance with the guidelines;
- The disclosure requirements for Related Party Transaction.

SCOPE AND DEFINITION

This policy applies to all Critical Group’s employees including part time, temporary and contract employees.

For the purpose of this policy, the following definitions apply:

- “Director” has the meaning given in section 2(1) of the Capital Markets and Service Act (CMSA) 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 XXX, its subsidiary or holding company; or
 - ii) a chief executive of XXX, its subsidiary or holding company
- “Major Shareholder” means a person who has an interest or interests in one or more voting shares in a XXX and the number or aggregate number of those shares is:
 - i) 10% or more of the total number of voting shares in the corporation; or

- ii) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation.
- “Person Connected” in relation to any person (referred to as “said Person”) means such person who falls under any one of the following categories:
 - i) a family member of the said Person;
 - ii) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the said Person, or a family member of the said Person, is the sole beneficiary;
 - iii) a partner of the said Person;
 - iv) a person, or where the person is a body corporate, the body corporate or its directors, who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the said Person;
 - v) a person, or where the person is a body corporate, the body corporate or its directors, in accordance with whose directions, instructions or wishes the said Person is accustomed or is under an obligation, whether formal or informal, to act;
 - vi) a body corporate in which the said Person, or persons connected with the said Person 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
 - vii) a body corporate which is a related corporation of the said Person.
- “Related Party Transaction” (“RPT”) means a transaction entered into by the listed corporation or its subsidiaries which involves the interest, direct or indirect, of a related party pursuant to Chapter 10 of the AMLR.
- This definition is solely for the purposes of Sub-Rule (11)(g) –
 - i) "goods" excludes securities;
 - ii) "classes of customers" excludes such class by reason solely or otherwise that the customers are related parties of the listed corporation or its subsidiaries;
 - iii) "Exempted Transactions" means the following:
 - aa) provision or usage of public utility services such as water, electricity, telecommunications, broadcasting services, postal or courier services, insurance, unit trusts, stockbroking services, public transport, education, medical services, provision or usage of tolled highways, hotel facilities and recreational services, provision or consumption of fuel on retail or food and beverage at eateries, provision or purchase of goods at retail outlets such as supermarkets, hypermarkets or departmental stores; and
 - ab) such other types of transactions that may be prescribed by the Exchange from time to time;
- “Insurance Fund” means an insurance fund established and maintained as follows:
 - i) A licensed insurer shall establish and maintain one or more insurance funds for any class or description of its insurance business as may be specified by the Bank.
 - ii) Notwithstanding subsection (1), a licensed life insurer shall establish and maintain a separate insurance fund for its life insurance business relating to participating life policies.
 - iii) The Bank may specify that a licensed life insurer shall establish and maintain more than one insurance fund for its participating life policies under subsection (2).

The definition above is solely for the purposes of Sub-Rule (11)(m)(ad)(C).

- Below definition is only applicable for Sub-Rule 11(q).
 - i) “Disposal” includes a disposal by a listed corporation 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 sub-Rule (q)(ii) below will not be applicable in such instances.

LISTING REQUIREMENTS

Rule 10.08(1) of the AMLR states that where any one of the percentage ratios of a related party transaction is 0.25% or more, Critical Group must announce the related party transaction to the Exchange as soon as possible after terms of the transaction have been agreed, unless –

- a) the value of the consideration of the transaction is less than RM200,000; or
- b) it is a Recurrent Related Party Transaction.

Critical Group must include the information set out in Appendices 10A and 10C in the announcement.

Under Rule 10.08(2), subject to the provisions of sub-Rules (9) and (10) below, where any one of the percentage ratios of a related party transaction is 5% or more, in addition to sub-Rule (1), Critical must –

- a) 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;
- b) send a circular which includes the information set out in Appendix 10B and Appendix 10D to the shareholders; and
- c) obtain its shareholder approval of the transaction in a general meeting.

Rule 3(a) defines the role of the independent adviser as referred to in sub-Rule 2(a) above must –

- i) fall within the definition of a corporate finance adviser under the SC’s Principal Adviser Guidelines; and
 - ii) if appointed during the Sponsorship Period, be a person other than the Critical Group’s Sponsor.
- b) The independent adviser must, in relation to the transaction –
 - i) comment as to –

- ac) whether the transaction is fair and reasonable so far as the shareholders are concerned; and
 - ad) 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;
- ii) advise minority shareholders on whether they should vote in favour of the transaction; and
- iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in sub-Rules (i) and (ii) above.

Other than that, Rule 4 spells out the duty and responsibility of the Sponsor or Adviser referred to in sub-Rule 2(a) above to –

- a) advise Critical Group whether such transaction is carried out on fair and reasonable terms and conditions, and not to the detriment of minority shareholders of Critical Group;
- 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;
- d) submit a copy of the draft circular to the Exchange for perusal together with a checklist showing compliance with Appendix 10B and Appendix 10D; and
- e) confirm to the Exchange after the transaction has been completed and all the necessary approvals have been obtained, that it has discharged its responsibility with due care in regard to the transaction.

Furthermore, Rule 5 mentioned that the Exchange has the discretion not to allow an independent adviser to continue to act or be appointed as an independent adviser if, in its opinion, the adviser is deemed not to be independent.

Under Rule 6, 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 related party transaction.

In a meeting to obtain shareholder approval, Rule 7 explains that –

- a) a related party with any interest, direct or indirect ("interested related party") must not vote on the resolution in respect of the related party transaction;
- b) an interested related party who is a director or major shareholder must ensure that persons connected with it abstain from voting on the resolution in respect of the related party transaction; and

- c) where the interested related party is a person connected with a director or major shareholder, such director or major shareholder must not vote on the resolution in respect of the related party transaction.

Moreover, if there is an interested director in a related party transaction, under Rule 8 mentioned that they must inform the board of directors of Critical Group or its subsidiary, 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 Critical Group or its subsidiary, as the case may be.

Under Rule 9, where any one of the percentage ratios of a related party transaction entered into between a subsidiary of Critical Group and another person, is 5% or more and there are no other interested relationships except for a related party having an interest in the transaction who is –

- a) a director or major shareholder of such subsidiary or the holding company of such subsidiary (other than Critical Group or the holding company of Critical Group) (“said director” or “said major shareholder”); or
- b) a person connected with the said director or said major shareholder;

Furthermore, Critical Group is exempted from –

- i) appointing an independent adviser or engaging the services of a Sponsor or Adviser;
- ii) issuing a circular to shareholders; and
- iii) obtaining shareholder approval of the transaction in general meeting,

Provided that the board of directors of Critical Group –

- aa) approves the transaction before the terms of transaction are agreed upon; and
- ab) ensures that the transaction is fair and reasonable to the Critical Group, and is in the best interests of Critical Group.

However, Rule 10 stated that sub-Rules (2), (3), (4) and (9) do not apply to a related party transaction where the value of the consideration of the transaction is less than RM200,000.

Therefore, Rule 11 states the following transactions that are not normally regarded as related party transactions:

- a) the issue of securities by Critical Group 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;

- c) a transaction between Critical Group 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 –
 - i) shareholdings in the other person which is less than 5% other than via Critical Group; and
 - ii) no other interest such as commission or other kinds of benefits received from Critical Group or any of its subsidiaries or the other person in relation to the said transaction;
- d) an acquisition or disposal by Critical Group 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 Critical Group;
- e) 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 the Exchange deems appropriate;
- f) directors' fees and remuneration, and employment remuneration;
- g) a transaction between Critical Group or any of its subsidiaries and another person for the provision or receipt of goods or services which are 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; and
 - ii) all material terms including the prices or charges are applied consistently to all customers or classes of customers.
- h) the entry into or renewal of tenancy of properties of not more than 3 years, the terms of which are supported by an independent valuation;
- i) a contract that is awarded by or on behalf of the Government of Malaysia or a State Government to Critical Group or its subsidiary provided that Critical Group immediately announces the contract to the Exchange and includes the information set out in Appendices 10A and 10C in the announcement;
- j) a contract that is awarded by way of a public tender –
 - i) in relation to the listed awardee or its subsidiaries provided that Critical Group immediately announces to the Exchange the terms of the awarded contract, the value of at least the 3 closest bids or if not applicable, such lesser number 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 –
 - aa) the awardee is listed or is a subsidiary of Critical Group;

- ab) majority of the directors and members of the audit committees of Critical Group (whether as the bidder or the awarder or the holding companies of the bidder or awarder subsidiaries) are different; and
- ac) the listed bidder immediately announces the contract to the Exchange and includes the information set out in Appendices 10A and 10C in the announcement;
- k) a transaction between Critical Group 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;
- l) a transaction between Critical Group 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 Critical Group;
- m) a transaction between Critical Group 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 Critical Group;
- ab) 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;
- ac) the major shareholder does not have any representative in an executive capacity on the board of directors of Critical Group or any of its subsidiaries; and
- ad) 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 the Exchange deems appropriate, and the said insurance corporation is managing its insurance fund (together with its own shareholders' funds or otherwise).

- n) a transaction between Critical Group 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 Critical Group or person connected with such director or major shareholder having an interest in the transaction;
- o) a transaction between a subsidiary of Critical Group (“transacting subsidiary”) 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 Critical Group (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;
- p) subscription to or acquisition by Critical Group 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 the Exchange deems appropriate; or
- q) a disposal by Critical Group 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 Critical Group), 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 the Exchange where the counterparty's identity is unknown to Critical Group or its subsidiaries (as the case may be) at the time of the disposal.

IDENTIFICATION PROCESS

- a) Finance Department shall ensure proper documentation for all the related party transactions. Journal Voucher, together with the Debit note / Credit note shall be prepared by Finance Executive, verified and approved by Finance Manager/ Chief Financial Officer.
- b) The Finance Department, overseen by the Chief Financial Officer, to compile a listing of related parties, nature of Related Party Transaction, estimated value of annual transactions and control(s) put in place, subject to update from time to time.

REPORTING PROCESS

The Board of Directors shall ensure that adequate procedures established by the Group to ensure that Related Party Transaction are undertaken on an arm’s length basis and on the Group’s normal commercial terms, consistent with the Group’s usual business practices and policies, which are generally available to the public and are not detrimental to the minority shareholders. The procedures are as follows:-

- a) A list of Related Parties will be circulated to the Board and management of the Company. All Related Parties of Critical Group and its subsidiaries are responsible for providing written notice to the Audit and Risk Management Committee of any potential Related

Party Transaction involving him/her or Person Connected to him/her, including any additional information about the transaction that the Audit and Risk Management Committee may reasonably request;

- b) The Audit and Risk Management Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction, if the following criteria is fulfilled:
 - i) The percentage ratios of a related party transaction is 0.25% or more, and;
 - ii) The value of the consideration of the transaction is more than RM200,000.

The Company may require engaging professional or third party opinion on the matter as required.

- c) The Related Party Transaction will be reviewed by the Audit and Risk Management Committee of the Company from time to time to ensure compliance with the Listing Requirements and applicable laws, as stipulated in Chapter 10.08, Appendix 10A and 10C of the AMLR.
- d) Submit the RPT announcement to the Audit and Risk Management Committee for consideration;
- e) When it is approved, submit the announcement to Bursa Securities.
- f) Update the Related Parties Transaction Listing/Document.
- g) The annual internal audit plan shall incorporate a review of all Related Party Transaction entered into pursuant to the proposed shareholders' mandate to ensure that the relevant approvals have been obtained and the review procedures in respect of such transactions are adhered to;
- h) The Board and the Audit and Risk Management Committee shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor Related Party Transaction have been complied with and the review shall be done at every quarter together with a review of the quarterly results.