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**BURSA MALAYSIA SECURITIES BERHAD**
**GUIDANCE NOTE 8****RECURRENT RELATED PARTY TRANSACTIONS**

Details		Cross References
Effective date:	3 July 2006	Rules 10.08 and 10.09
Revision date:	3 August 2009, 22 September 2011, 3 January 2012, 27 January 2015, 13 July 2015, 2 January 2018	

**1.0 Introduction**

- 1.1 Rule 10.08 of the Listing Requirements stipulates the obligations that a listed corporation must comply with in relation to a related party transaction.
- 1.2 Rule 10.08 must be read together with Rule 10.09 of the Listing Requirements which is in relation to a Recurrent Related Party Transaction.
- 1.3 This Guidance Note sets out the following:
- (a) clarification of the disclosure obligations in relation to Recurrent Related Party Transactions;
  - (b) clarification of the application of Rules 10.08 and 10.09 of the Listing Requirements to Recurrent Related Party Transactions ("**Requirements**"); and
  - (c) the additional information required for the circular and announcement referred to under Rules 10.09(2)(c) and 10.09(2)(e) of the Listing Requirements respectively.
- 1.4 This Guidance Note must be read in conjunction with the Listing Requirements.
- 1.5 For the purpose of this Guidance Note, a "**listed corporation**" includes the listed corporation's subsidiaries.

**2.0 Application of Rules 10.08 and 10.09 of the Listing Requirements to Recurrent Related Party Transactions**

- 2.1 In addition to the obligation to immediately announce a related party transaction, Rule 10.08(2) of the Listing Requirements states that where any one of the percentage ratios of a related party transaction is 5% or more, a listed corporation must engage the services of a Sponsor or Adviser, as the case may be, appoint an independent adviser, issue a circular to its shareholders and obtain specific shareholder approval of the transaction.

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- 2.2 However, pursuant to Rule 10.09 of the Listing Requirements, a listed corporation is allowed to obtain a mandate from its shareholders in respect of Recurrent Related Party Transactions (“Mandate”).
- 2.3 Where a listed corporation has obtained a Mandate in respect of any Recurrent Related Party Transactions, the requirements of Rule 10.08 of the Listing Requirements will not apply to the Recurrent Related Party Transactions which are comprised in the Mandate. This means, during the period of validity of the Mandate, the disclosure obligation as set out in Rule 10.09(1) of the Listing Requirements, as well as the obligation to procure shareholder approval as set out under Rule 10.08 of the Listing Requirements will not apply to the Recurrent Related Party Transactions which are comprised in the Mandate.
- 2.4 However, pursuant to Rule 10.09(2)(e) of the Listing Requirements, a listed corporation is required to immediately announce to the Exchange when the actual value of a Recurrent Related Party Transaction entered into by the listed corporation exceeds the estimated value of the Recurrent Related Party Transaction disclosed in the circular by 10% or more.

### 3.0 Clarification on the Requirements

- 3.1 A listed corporation that wishes to obtain a Mandate must comply with all the requirements as set out under Rule 10.09 of the Listing Requirements. This paragraph sets out the clarification in relation to the following requirements stipulated under Rule 10.09(2):

#### 3.1.1 Recurrent Related Party Transactions

In this respect, the frequency or regularity of the transaction has to be considered. A transaction which has been made or will be made by the listed corporation at least once in 3 years in the course of its business will be considered recurrent.

#### 3.1.2 Revenue nature necessary for day-to-day operations

In this respect, a related party transaction of a revenue nature which is necessary for day-to-day operations must either contribute directly or indirectly to the generation of revenue for the listed corporation. As an example, in the case of an information technology corporation, the following transactions, which are by no means exhaustive, are considered to be of a revenue nature:

- (a) the purchase and sale of computer peripherals, accessories and components such as data storage products (e.g. micro floppy discs, audio and videotape) and optical data storage media (e.g. compact discs);
- (b) the appointment of third parties to sell its products;
- (c) the purchase of insurance policies for its properties, assets and employees;
- (d) the purchase of office supplies; and
- (e) the provision of storage and other infrastructure facilities.

### 3.1.3 In the ordinary course of business

A related party transaction is in the ordinary course of business, if it is a transaction which would reasonably be expected to be carried out by the listed corporation given the type of business the listed corporation is involved in.

The fact that the transaction is envisaged in the memorandum of association of the listed corporation will not be a conclusive factor of determination. As an example, in respect of a listed corporation involved in activities relating to information technology, the following transactions, which are by no means exhaustive, are considered to be in the ordinary course of business of the listed corporation:

- (a) the purchase of raw materials and supplies for its business;
- (b) rental of office space for its operations;
- (c) payment of insurance premium for coverage of corporation assets, staff and projects;
- (d) the purchase and maintenance of computers for corporation or project use; and
- (e) the requisition of management, secretarial, internal audit and other support services for its business.

### 3.1.4 Annual renewal

The Mandate is subject to annual renewal. In this respect, any authority conferred by a Mandate will only continue to be in force until -

- (a) the conclusion of the first annual general meeting of the listed corporation 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;
- (b) the expiration of the period within which the next annual general meeting after that date is required to be held pursuant to section 340(2) of the Companies Act (but must not extend to such extension as may be allowed pursuant to section 340(4) of the Companies Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

### 3.1.5 Annual report

In making the disclosure of the aggregate value of Recurrent Related Party Transactions conducted pursuant to the Mandate in a listed corporation's annual report, a listed corporation must provide a breakdown of the aggregate value of the Recurrent Related Party Transactions made during the financial year, amongst others, based on the following information:

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- (a) the type of the Recurrent Related Party Transactions made; and
  - (b) the names of the related parties involved in each type of the Recurrent Related Party Transactions made and their relationship with the listed corporation.
- 3.2 Notwithstanding the clarifications above, the following are not regarded as Recurrent Related Party Transactions and as such the Mandate does not apply:
- (a) the acquisition or disposal of land or land-based property except in circumstances set out in paragraph 3.3(a) below;
  - (b) the acquisition or disposal of vessels, air crafts and plants;
  - (c) the entry into a lease of -
    - (i) a property for a period exceeding 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);
  - (d) the provision of financial assistance pursuant to Rule 8.25 of the Listing Requirements;
  - (e) the acquisition or disposal of securities except in the circumstances set out in paragraph 3.3(b) below;
  - (f) the entry into joint ventures;
  - (g) the grant or exercise of an option in relation to matters set out in subparagraphs (a), (b), (c) and (e) above; and
  - (h) such other transactions as may be determined by the Exchange from time to time.
- 3.3 Notwithstanding paragraph 3.2 of this Guidance Note -
- (a) a listed corporation classified under the Exchange's property sector may procure a Mandate for acquisition or disposal of land or land-based property provided that the transaction is a Recurrent Related Party Transaction and any one of the percentage ratios is not more than 10%; and
  - (b) a listed corporation under Rule 9.20(2)(a) and (c) of the Listing Requirements may procure a Mandate for acquisition or disposal of securities which is a Recurrent Related Party Transaction.
- 3.4 Notwithstanding paragraph 3.2(d) above and subject to Rule 10.09 of the Listing Requirements and the other provisions of this Guidance Note, a listed corporation may obtain a Mandate in respect of the following Recurrent Related Party Transactions:
- (a) the pooling of funds within the listed corporation's group of companies via a centralised treasury management function or such similar arrangements which entails the provision of financial assistance by the listed corporation, its subsidiaries not listed on any stock exchange or both, on a short or medium term basis provided that -

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- (i) the listed corporation in seeking such a mandate in accordance with Rules 8.25 and 10.09 of the Listing Requirements, must include in its circular, in addition to such other information as prescribed under the Listing Requirements, the estimated amounts or value of financial assistance ("**Estimate**"); and
- (ii) notwithstanding Rule 10.09(2)(e) of the Listing Requirements, if the actual amount of financial assistance provided or rendered exceeds the Estimate, the listed corporation must immediately announce the same to the Exchange. If the percentage ratio of the amount of financial assistance provided or rendered in excess of the Estimate is 5% or more, the listed corporation must comply with Rule 10.08 of the Listing Requirements.

For purposes of this paragraph -

- (aa) "**short or medium term basis**" means for a duration not exceeding 3 years; and
  - (bb) "**group of companies**" means the subsidiaries, associated companies of the listed corporation and the listed corporation's immediate holding company which is listed.
- (b) provision of guarantee, indemnity or such other collateral to or in favour of another person which is necessary in order to procure a contract or secure work from the other person or to enable the other person to commence and/or complete a contract or work for the listed corporation or its subsidiaries.
- (c) provision of financial assistance in respect of the business of -
- (i) leasing, factoring or hire purchase carried out by a listed corporation or its subsidiaries not listed on any stock exchange; or
  - (ii) share financing or share margin financing carried out by a listed corporation or its subsidiaries not listed on any stock exchange which is a Participating Organisation; or
  - (iii) such other similar business that may be determined by the Exchange.

**4.0 Information in circular and announcement**

- 4.1 A listed corporation must include such information as set out in Annexure GN8-A and Annexure GN8-B respectively in the circular and announcement required under Rule 10.09(2)(c) and (e) of the Listing Requirements.

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**ANNEXURE GN8-A****Contents of circular to shareholders for shareholder mandate**  
(paragraph 4.1)

- (1) A heading drawing attention to the importance of the circular and advising holders of shares who are in any doubt as to what action to take to consult appropriate independent advisers.
- (2) A statement that Bursa Malaysia Securities Berhad takes no responsibility for the contents of the circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the circular. In relation to a circular which has not been perused by Bursa Malaysia Securities Berhad before its issuance, a statement to that effect.
- (3) The principal business activity of the listed corporation and its subsidiaries, the details of the nature of the Recurrent Related Party Transactions contemplated under the Mandate including the activities, products, and the estimated aggregate value of the respective Recurrent Related Party Transactions contemplated under the Mandate, and the details of the class of related parties with whom the Recurrent Related Party Transactions will be carried out including the relationship with the listed corporation and the names of these parties. Where it is not possible to determine the estimated value of the Recurrent Related Party Transaction, to state the reason.
- (4) The rationale for, and the benefit to, the listed corporation or its subsidiary transacting with the related party.
- (5) The listed corporation's methods or procedures to ensure that the Recurrent Related Party Transactions contemplated under the Mandate are undertaken on transaction prices and terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders.
- (6) The audit committee's view on whether the procedures above are sufficient to ensure that Recurrent Related Party Transactions are not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders.
- (7) The interest, direct or indirect, of the directors and/or major shareholders and/or persons connected with a director or major shareholder in the proposal and the related party's direct and indirect shareholdings in the listed corporation;
- (8) A statement that the interested directors have abstained and/or will abstain from board deliberation and voting on the relevant resolution.
- (9) A statement that the director, major shareholder and/or person connected with a director or major shareholder, which has/have any interest, direct or indirect, in the proposal will abstain from voting in respect of his/their direct and/or indirect shareholdings. Where the person connected with a director or major shareholder has any interest, direct or indirect, in the proposal, a statement that the director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings. Further, a statement that such interested director and/or major shareholder has/have undertaken that he/they will ensure that the persons connected with him/them will abstain from voting on the resolution deliberating or approving the proposal at the general meeting.
- (10) A statement by the board of directors whether the proposal is in the best interest of the listed corporation and where a director disagrees with such statement, a statement by the director setting out the reasons and the factors taken into consideration in forming that opinion.

Annexure GN8-A  
Contents of circular for shareholder mandate

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- (11) The thresholds for the approval of Recurrent Related Party Transactions within the listed corporation's group of companies.
- (12) A statement that at least 2 other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of produces/services and/or quantities. In the event that quotation or comparative pricing from unrelated third parties cannot be obtained (for instance, if there are no unrelated third party vendors/customers of similar products or services, or if the product/service is a proprietary item), to state how the transaction price will be determined and ensure that the Recurrent Related Party Transaction is not detrimental to the listed corporation or its group of companies.
- (13) A statement by the audit committee that the group of companies has in place adequate procedures and processes to monitor, track and identify Recurrent Related Party Transactions in a timely and orderly manner, and the frequency of review of these procedures and processes.
- (14) The actual value transacted of each Recurrent Related Party Transaction, from the date on which the existing mandate was obtained up to the latest practicable date before the printing of the circular ("**Actual Value**").
- (15) The estimated value of each Recurrent Related Party Transaction as disclosed in the preceding year's circular to shareholders ("**Estimated Value**").
- (16) The reasons for the deviation, where the Actual Value exceeds the Estimated Value by 10% or more.
- (16A) Where a sum is due and owing to a listed corporation by its related party pursuant to a Recurrent Related Party Transaction, a breakdown of the principal sum and interest for the total outstanding amount due under the Recurrent Related Party Transaction which exceeded the credit term for the following periods as at the end of each financial year:
- (a) a period of 1 year or less;
  - (b) a period of more than 1 to 3 years;
  - (c) a period of more than 3 to 5 years; and
  - (d) a period of more than 5 years.
- (16B) The following particulars must be disclosed together with the information in paragraph 16A above:
- (a) any late payment charges imposed and where no late payment charges are imposed, to state the reasons;
  - (b) the course of action(s) taken or to be taken by the listed corporation to recover the outstanding amount due; and
  - (c) the listed corporation's board of directors' opinion on any outstanding amount long overdue including comments on its recoverability.

**Annexure GN8-A**  
**Contents of circular for shareholder mandate**

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- (17) A recommendation from the board of directors (other than the interested directors) as to the voting action that shareholders should take.
- (18) An appendix containing the following information:
- (a) a responsibility statement by the directors that the circular has been seen and approved by the directors of the listed corporation and that they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the circular misleading;
  - (b) where a person is named in the circular as having advised the listed corporation or its directors, a statement that such adviser has given and has not withdrawn its written consent to the inclusion of the adviser's name or letter (where applicable), or both, in the form and context in which it is included;
  - (c) a statement of all material contracts (not being contracts entered into in the ordinary course of business) entered into by the listed corporation and/or its subsidiaries within 2 years immediately preceding the date of the circular. The following particulars must be disclosed in respect of each such contract:
    - (i) the date of the contract;
    - (ii) the parties of the contract;
    - (iii) the general nature; and
    - (iv) the consideration and mode of satisfaction;
  - (d) a statement of all material litigation, claims or arbitration involving the listed corporation and/or any of its subsidiaries, including those pending or threatened against such corporations. The following particulars must be disclosed:
    - (i) the background;
    - (ii) the date of the suit;
    - (iii) the names of the plaintiff(s) and defendant(s);
    - (iv) the estimate of the maximum exposure to liabilities;
    - (v) directors' or solicitors' opinion of the outcome; and
    - (vi) the status;
  - (e) a statement that for a period from the date of the circular to the date of the general meeting the following documents (or copies of the said documents) may be inspected at the registered office of the listed corporation:
    - (i) the constitution;
    - (ii) the audited financial statements of the listed corporation/group for the past 2 financial years and the latest unaudited results since the last audited financial statements;

**Annexure GN8-A**  
**Contents of circular for shareholder mandate**

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- (iii) all reports, letters or other documents, statement of financial position, valuations and statements by any expert, any part of which is extracted or referred to in the circular;
  - (iv) the letters of consent referred to in subparagraph (b) above;
  - (v) the material contracts referred to in subparagraph (c) above; and
  - (vi) the relevant cause papers in respect of material litigation referred to in subparagraph (d) above.
- (19) Any other information concerning the proposal as shareholders and their advisers would reasonably require and would reasonably expect to find in the circular for the purposes of making an informed assessment as to the merits of approving the proposal and the extent of the risks involved in doing so.

[End of Annexure]

Annexure GN8-B  
Contents of announcement for a Recurrent Related Party Transaction

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ANNEXURE GN8-B

**Contents of announcement for a Recurrent Related Party Transaction**  
(paragraph 4.1)

- (1) The estimated value of the Recurrent Related Party Transaction as disclosed in the circular to the shareholders ("**Estimated Value**").
- (2) The actual value of the Recurrent Related Party Transaction transacted, from the date on which the existing Mandate was obtained up to the date of the announcement ("**Actual Value**").
- (3) The difference (in value and percentage) for the variation between the Actual Value and the Estimated Value by 10% or more, and the reason for the difference.

[End of Annexure]