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# **GUH Holdings Berhad**

## **Arm's Length Policy**



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## Part 1 Introduction

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### 1A Policy Statement

An arm's length transaction, one in compliance with the arm's length principle (ALP), is a transaction between two parties in which both parties are acting in their own self-interest. All parties are independent, are not under duress from the opposing party, and are acting in their own self-interest to attain the most beneficial deal.

The ALP shall always be practiced by the Guh Group in order to remain fair and competitive in the market. A comparability analysis is a pre-requisite to conform to the ALP. This involves comparing conditions in a controlled transaction with those in an uncontrolled transaction.

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## Part 2 Comparability Analysis

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### 2A Comparable Uncontrolled Price Method ("CUP")

Guh Group adopts CUP method to ensure application of ALP by comparing the price charged in a controlled transaction to the price charged in a comparable uncontrolled transaction, in comparable circumstances.

A comparability analysis under the CUP method should consider the following:

- (a) Product characteristics such as physical features and quality.
- (b) If the product is in the form of services, the quality, nature and extent of such services provided.
- (c) Whether the goods sold are compared at the same points in the production chain.
- (d) Product differentiation in the form of patented features such as trademarks, design, etc.
- (e) Volume of sales if it has an effect on price.
- (f) Timing of sales if it is affected by seasonal fluctuations or other changes in market conditions.
- (g) Whether costs of transport, packaging, marketing, advertising, and warranty are included in the deal.
- (h) Whether the products are sold in places where the economic conditions are the same.

(collectively, the "Factors")

Comparability adjustments should be executed to eliminate the effects of differences that may exist between situations being compared and that which could materially affect the condition being examined in the methodology.

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## **2B Comparable Period**

The arm's length price should be determined by comparing the results of a controlled transaction with the results of uncontrolled transactions that were undertaken or carried out during the same period.

This requirement is made on the basis that the ALP must be complied with contemporaneously. A contemporaneous uncontrolled transaction should provide the most reliable comparison as it is carried out in an economic environment that is the same as or similar to the economic environment of the controlled transaction.

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## **Part 3 Intragroup Service Charges**

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### **3A General**

In applying the ALP to intragroup services, it is necessary to consider from the perspective of both the provider and the recipient of the goods or service. The goods or service must be of value to the recipient and the price must be one that an independent party would be prepared to pay.

### **3B Direct Charge Method**

The direct charge method is applicable for a specific service where the service, the beneficiary of the service, the cost incurred and the basis of charge can be clearly identified. Hence, the cost can be allocated directly to the recipient.

### **3C Indirect Charge Method**

The indirect charge method is applicable where the direct charge method is impractical or if the arrangements for the services provided are not readily identifiable i.e. where the costs are attributable to several related enterprises and cannot be specifically assigned to the recipients of services.

The method is based upon cost allocation and apportionment by reference to an allocation key which must be appropriate to the nature and purpose of service provided. The ALP requires that the amount allocated to a respective member of a group is in proportion to the individual member benefit or expected benefit from the services or reflects the share of the total benefits of the service attributable to that particular recipient.



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## **Part 4 Intragroup Financing**

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### **4A Financial Assistance**

Intragroup financing is another form of service in the form of financial assistance that include loans, interest bearing trade credits, advance or debt and the provision of any security or guarantee. Arm's length interest rate should be charged to non-wholly owned subsidiary and associate at a rate which is consistent with the rate that would have been charged in a similar transaction between independent persons dealing.

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## **Part 5 Review of the Policy**

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### **5A General**

GUH Group reserves the right to review the Arm's Length Policy as and when it is necessary to ensure its effectiveness, accommodate organization changes within the Group and maintain the compliance with applicable laws and regulations.