

LII HEN INDUSTRIES BHD
(Company No.:199401015681 / 301361-U)

RELATED PARTY TRANSACTIONS POLICY
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1. INTRODUCTIONS

Lii Hen Industries Bhd (“LHIB” or the “Company”) and its subsidiaries (“the Group”) would, in ordinary course of business, enter into transactions of revenue or trading nature with a Related Party or Parties.

2. OBJECTIVES

This policy is designed to ensure the related party transactions (“RPTs”) 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 LHIB.

This Policy also aims to comply with the Part E, Paragraph 10.08 and 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad.

Hence, the Audit Committee (“AC”) is to put in place adequate procedures and processes, as set forth herein, to monitor, track and identify Recurrent Transactions in a timely and orderly manner, and the frequency of review of the procedures and processes.

3. POLICY

3.1. The main features of this Policy are:

- a. to specify the principles to be adopted in relation to the conduct of a RPT between the Company and/or the Group with a Related Party or Parties;
- b. to provide guidance in the interpretation and application of those principles;
- c. to standardize the practices and procedures relating to the conduct of RPTs; and
- d. to specify the basis of proper disclosure of such RPTs.

3.2. It is the policy of the Company not to enter into any RPTs unless:

- a. the AC of LHIB reviews such transaction in accordance with the guidelines set forth herein; and
- b. the transaction is approved by Board of Directors (“the Board”) of LHIB (based on the Company’s Financial Authority Limits).

4. DEFINITION

This policy is not intended to provide for a comprehensive definition of all areas related to the subject matter and is therefore recommended that each transacting subsidiary which is directly involved in disclosing these RPT and RRPT to constantly liaise and obtain a copy of the relevant reference documents from the Group Corporate & Finance Department or Company Secretary.

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

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- 4.1. **“the Act”** means the Companies Act, 2016 as amended from time to time and any re-enactment thereof.
- 4.2. **“CMSA”** means the Capital Markets and Services Act, 2007.
- 4.3. **“Director”** has the meaning given in section 2(1) of the CMSA 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:
- a. a Director of the listed issuer, its subsidiary or holding company; or
 - b. a Chief Executive of the listed issuer, its subsidiary or holding company.
- 4.4. **“family”** in relation to a person means such person who falls within any one of the following categories:
- a. spouse;
 - b. parent;
 - c. child including an adopted child and step-child;
 - d. brother or sister; and
 - e. spouse of the person referred in point (c) and (d) above.
- 4.5. **“Listing Requirements”** means the Listing Requirements of Bursa Malaysia Securities Berhad as modified, varied, supplemented or replaced from time to time and including any Practical Notes issued.
- 4.6. **“Major Shareholder”** means a person who has an interest or interests in one or more voting shares in the Company and the nominal amount of the share, or the aggregate of the nominal amounts of these shares, is:
- a. equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in the Company; or
 - b. equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in the Company where such person is the largest shareholder of the Company.

For the purpose of this definition, “interest in shares” shall have the meaning given in Section 8 of the Act. It also 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, a Major Shareholder (as defined above) of the Company or any other company which is its subsidiary or holding company.

- 4.7. **“person connected”** in relation to a Director or Major Shareholder, means such person who falls under any one of the following categories:
- a. a family member of the Director or Major Shareholder;
 - b. a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the Director or Major Shareholder, is the sole beneficiary;

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- c. a partner of the Director or Major Shareholder, or a partner of a person connected with that Director or Major Shareholder;
 - d. a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;
 - e. a person in accordance with whose directions, instructions or wishes the Director or Major Shareholder is accustomed or is under an obligation, whether formal or informal, to act;
 - f. a body corporate or its Directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;
 - g. a body corporate or its Directors whose directions, instructions or wishes the Director or Major Shareholder is accustomed or under an obligation, whether formal or informal, to act;
 - h. a body corporate in which the Director or Major Shareholder, or person connected with him/her 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
 - i. a body corporate which is a related corporation.
- 4.8. **“Related Party”** means a Director, Major Shareholder and/or a person connected with such Director or major shareholder.
- 4.9. **“Recurrent Transaction”** means a RPT which is recurrent, of a revenue or trading nature and which is necessary for day-to-day operations and is in the ordinary course of business of LHIB and/ or its subsidiaries.
- 4.10. **“related party transaction”** means a transaction entered into by LHIB or any of its subsidiaries which involves the interest, direct or indirect, of a Related Party.

5. SAFEGUARD

Whenever in doubt as to whether the proposed transaction is a RPT, employees are encouraged to contact the Group Senior Manager of Corporate and Finance (especially if it involves the drafting of agreement/contract for the proposed transaction).

Although a RPT may give rise to a conflict of interest, such a RPT is allowed under the law, provided that the RPT is entered into in the best interest of the Company and complies with the applicable laws.

In view of the sensitivity of a RPT, the transacting subsidiary should ensure that no preference is given to a Related Party prior to initiating the transaction. Where practicable, it may be appropriate for the subsidiary to obtain an independent review of the RPT. In any event, there should be proper documentation relating to the basis under the RPT was entered into.

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6. ROLES AND RESPONSIBILITIES

The roles and responsibilities of the transacting subsidiaries in providing the RPT and/or RRPT information is as follows:

- a. Group Senior Manager of Corporate and Finance
 - i. means a Director, Major Shareholder and/or a person connected with such Director or major shareholder to provide the list of Directors, Major Shareholders and persons connected with such Directors or Major Shareholders to the Head of subsidiaries;
 - ii. to update and advise the Head of subsidiaries of any new items and amendments to the Listing Requirements in relation to RPTs and RRPTs disclosure;
 - iii. to advise and assist the transacting subsidiaries on compliance with the disclosure requirement of the Listing Requirements with respect to RPTs and RRPTs; and
 - iv. to prepare the document of Circular to Shareholders, with the assistance of Company Secretary, for obtaining the shareholders' mandate on the new RRPTs and/or their subsequent renewals.
- b. Heads of subsidiaries
 - i. to identify the nature of each RPT/RRPT and their respective amount based on the list initially provided by the Group Senior Manager of Corporate & Finance;
 - ii. to inform the Group Senior Manager of Corporate & Finance of any RPT/RRPT that requires immediate announcement to Bursa; and
 - iii. to prepare the board paper on the RPT/RRPT to Group Senior Manager of Corporate and Finance for presentation to the Audit Committee and/or the Board.

7. IDENTIFICATION

List of Related Parties

The list of Related Parties (which is not exhaustive) will be kept by the Group Corporate & Finance Department and made available on the Company's intranet and circulated on periodic basis to the respective personnel.

As the list may change from time to time, the Corporate & Finance Department shall update the subsidiaries on the latest Directors and Major Shareholders' interest on semi-annual basis. All subsidiaries are advised to fully understand and familiarize themselves with the list of Related Parties that may be considered as RPT or Recurrent RPT.

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 RPT, provided it fulfills the requirements stated in the Listing Requirements.

The Head of the transacting subsidiary is required to report such transaction to the Group Corporate & Finance Department.

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8. POLICIES AND PROCEDURES FOR DETERMINATION OF TRANSACTION PRICE
REVIEW PROCEDURES FOR RPTS

Recurrent Transactions

8.1. *Rental of Properties*

The rental of properties shall be on the basis of the prevailing market rates for the same or substantially similar property and based on the value as appraised by the Company's appointed independent professional valuer and shall be on normal commercial terms.

8.2. *Purchase of Furniture Parts and Sub-Contract Works*

Any tender, quotation or contract received from or proposed to be entered into with a Related Party will not be approved unless:

- a. the LHIB Group's pricing for the goods and sub contract works to be supplied or provided is negotiated between the Group and the Related Party based on prevailing market prices for the goods and sub contract works are consistent with the prices as agreed with unrelated third parties;
- b. at least two (2) other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, whenever possible, to determine whether the price and terms offered 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 products/services and/or quantities. Where quotations or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be reviewed by the the Group based on usual business practice and on terms which are generally in line with the industries norms to ensure that the recurrent transaction is not detrimental to the Group; and
- c. the thresholds for approvals of Recurrent Transactions are consistent with those transactions entered into with unrelated parties. LHIB Group has in place internal levels of authority governing all business transactions. Since the Recurrent Transactions are conducted in the ordinary course of business, these are also covered under the same levels of authority. The Recurrent Transactions within the Group are subject to the approval of the Heads of the relevant operating divisions or such persons to whom they may delegate such power, subject always to the Group's policies that may be issued from time to time. However, all RPTs for purchases of goods and services are subject to review by the AC for recommendation to the Board for its approval.

8.3. *Sale of Furniture Parts*

The sale of furniture parts shall be determined on the basis of the prevailing prices of the goods (including preferential price/discounts accorded to a class or classes of customers) according to its usual commercial terms, business practices and policies or otherwise in accordance with other applicable industry norms/considerations.

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9. REPORTING AND REVIEWING PROCESS

- 9.1. A list of companies connected to the Related Parties will be circulated within the Group and all Related Parties will be notified that all Recurrent Transactions are required to be undertaken on an arm's length basis and on normal commercial terms.

9.2. *Disclosures*

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 to give their undertakings that all business transactions to be entered into between the Group and themselves and/or persons connected with them shall be negotiated on and agreed at arm's length.

9.3. *Periodical Declarations*

All the Directors and key management, shall submit quarterly declarations, on any potential or actual conflict of interest and disclosure of RPT, and advice the Company of any changes throughout the financial year as and when they occur.

- 9.4. For an update to the AC on quarterly basis, the following steps will be observed:

- a. the transacting subsidiary is required to record the RPTs and provide information on RRTs transacted in the preceding 12 months and the expected RPTs for the next 12 months (if any) by completing a prescribed form and submitting a copy to Corporate & Finance Department on a quarterly basis; and
- b. the duly compiled quarterly update on RPTs of the Group will be tabled and reviewed by the AC on a quarterly basis for purpose of monitoring the thresholds prescribed under the Listing Requirements.

- 9.5. The AC periodically reviews the procedures set by LHIB to monitor RPTs 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.

- 9.6. The Board and the AC of the Company shall have overall responsibility for the determination of the review procedures with authority to sub-delegate to individuals or committees within the Company as they deem appropriate. If a member of the Board or the AC has an interest in a Recurrent Transaction, as the case may be, he will abstain from any decision-making by the Board or the AC in respect of that Recurrent Transaction.

10. MAINTENANCE OF RECORDS

The Corporate & Finance Department shall keep securely the Directors' and Major Shareholders' declaration forms as mentioned in para 9.2.

Additionally, the transacting subsidiary shall ensure proper maintenance and retention of documentation, to allow the RPTs to be scrutinized by regulators or auditors. Such documentation should be readily accessible to regulators and other interested parties.

Records will be maintained by the Company to capture all recurrent transactions that are 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.

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11. THRESHOLD FOR APPROVAL AND ANNOUNCEMENT

- 11.1. 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.
- 11.2. The announcement of RPT and/or RPT as prescribed by the Listing Requirements that that are governed by percentage ratio threshold is to be strictly complied with.

12. DISCLOSURE

Disclosure will be made in the Company's Annual Report of the breakdown of the aggregate value of RPTs conducted, types of Recurrent Transactions made, names of the Related Party or Parties involved in each type of Recurrent Transactions and their relationship with the Company pursuant to the Proposed Shareholders' Mandate during the financial year, and in the Annual Report for the subsequent financial year that the Proposed Shareholders' Mandate continues to be in force.

13. MODIFICATION

The Board and AC reserve the right to modify or amend this Policy at any time as it may deem necessary in order to align the policy with Listing Requirements, the Act, the latest Malaysian Code on Corporate Governance and any other applicable laws enforced at the time being.

This Policy is updated on 11.04.2025