



**Harrisons Holdings (Malaysia) Berhad**  
(194675-H)

**Established Since 1918**



Harrisons' comprehensive marketing and distribution network of 27 branches, 47 warehouses with over 1 million sq. ft. of warehousing space and over 1,800 skilled staff spread across East & West Malaysia.

**Harrisons Holdings (Malaysia) Berhad**  
(194675-H)

10th Floor Menara Hap Seng  
No 1 & 3 Jalan P. Ramlee  
50250 Kuala Lumpur

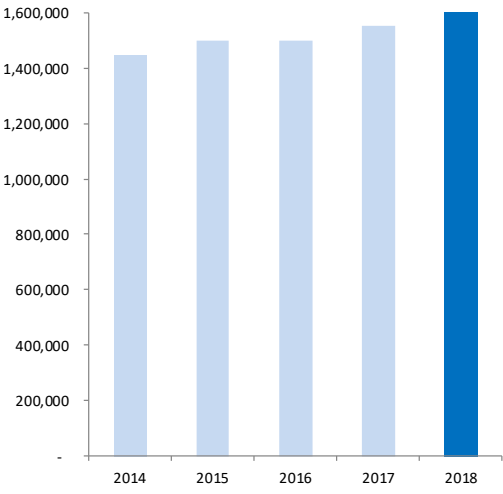
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# Annual Report 2018

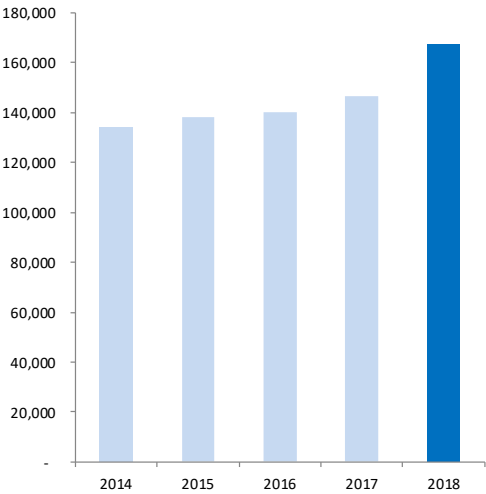
HIGHLIGHTS OF THE GROUP'S FINANCIAL INFORMATION FOR THE PAST 5 FINANCIAL YEARS

	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Turnover	1,445,308	1,497,810	1,499,998	1,550,954	1,651,428
Gross Profit	134,359	138,116	140,417	146,869	167,345
Gross Profit margin (%)	9.30%	9.22%	9.36%	9.47%	10.13%
Profit/(Loss) before taxation	(1,395)	22,655	26,981	28,017	31,657
Taxation	7,931	8,100	6,457	6,480	9,584
Profit/(Loss) after taxation	(9,326)	14,555	20,524	21,537	22,073

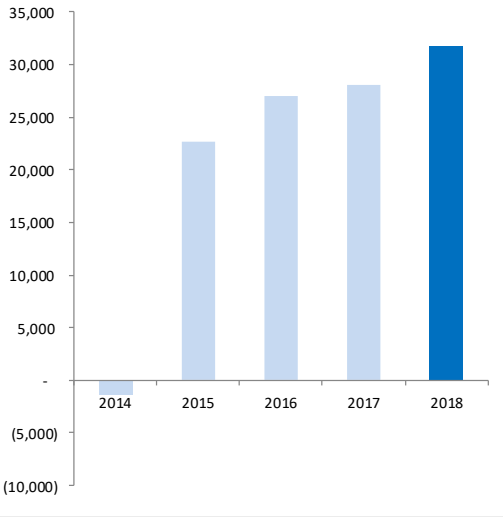
Turnover (RM'000)



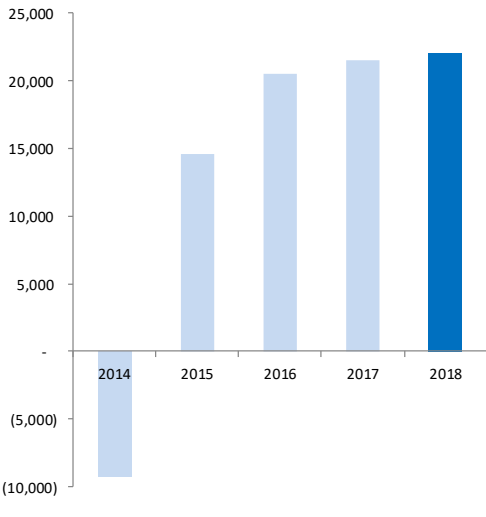
Gross Profit (RM'000)



Profit/(Loss) before taxation (RM'000)



Profit/(Loss) after taxation (RM'000)



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## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Pandjijono Adijanto @ Tan Hong Phang  
(Non-Independent Non-Executive Chairman)

Chan Poh Kim  
(Group Managing Director (“Group MD”))

Mariana Adijanto @ Tan Phwe Leng  
(Non-Independent Non-Executive Director)

Wong Yoke Kong  
(Independent Non-Executive Director)

Foo Chow Luh  
(Senior Independent Non-Executive Director)

Chong Chee Fire  
(Independent Non-Executive Director)

### **SECRETARIES**

Low Kong Choon (MAICSA 0818548)  
Tan Kok Siong (LS0009932)  
Tan Bee Hwa (MAICSA 7058049)

### **AUDIT COMMITTEE**

Foo Chow Luh – Chairman  
(Senior Independent Non-Executive Director)

Chong Chee Fire – Member  
(Independent Non-Executive Director)

Wong Yoke Kong – Member  
(Independent Non-Executive Director)

### **SHARE REGISTRARS**

Sectrars Management Sdn. Bhd.  
Lot 9-7, Menara Sentral Vista  
No. 150, Jalan Sultan Abdul Samad  
50470 Kuala Lumpur  
Fax: +603-2276 6131  
Tel: +603-2276 6138/ 6139/ 6130

### **AUDITORS**

PricewaterhouseCoopers PLT  
(LLP0014401-LCA & AF1146)  
Level 10, 1 Sentral  
Jalan Rakyat  
Kuala Lumpur Sentral  
50706 Kuala Lumpur  
Fax: +603-2173 1288  
Tel: +603-2173 1188

### **SOLICITORS**

Messrs Nazri Aziz & Wong  
Messrs Skrine & Co  
Messrs Cheah Teh & Su

### **PRINCIPAL BANKERS**

RHB Bank Berhad  
Hong Leong Bank Berhad  
United Overseas Bank Berhad  
Affin Bank Berhad

### **STOCK EXCHANGE**

Main Market of Bursa Malaysia  
Securities Berhad  
Stock Code : 5008  
Sector : Consumer Products &  
Services

## **CORPORATE INFORMATION (CONTINUED)**

### **RISK MANAGEMENT COMMITTEE**

Wong Yoke Kong – Chairman  
(Independent Non-Executive Director)

Foo Chow Luh – Member  
(Senior Independent Non-Executive Director)

Chong Chee Fire – Member  
(Independent Non-Executive Director)

### **NOMINATION COMMITTEE**

Foo Chow Luh – Chairman  
(Senior Independent Non-Executive Director)

Chong Chee Fire – Member  
(Independent Non-Executive Director)

Pandijjono Adijanto @ Tan Hong Phang  
(Non-Independent Non-Executive Chairman)

### **REMUNERATION COMMITTEE**

Pandijjono Adijanto @ Tan Hong Phang – Chairman  
(Non-Independent Non-Executive Director)

Foo Chow Luh – Member  
(Senior Independent Non-Executive Director)

Chong Chee Fire – Member  
(Independent Non-Executive Director)

### **REGISTERED OFFICE**

10th Floor, Menara Hap Seng  
No. 1 & 3, Jalan P. Ramlee  
50250 Kuala Lumpur  
Tel: +603-23824288  
Fax: +603-23824170

### **CORPORATE OFFICE**

Unit 9A, 9<sup>th</sup> Floor  
Wisma Bumi Raya  
10, Jalan Raja Laut  
50350 Kuala Lumpur  
Tel: +603-2698 3733  
Fax: +603-2698 8733  
Website: [www.harrisons.com.my](http://www.harrisons.com.my)

## **DIRECTORS' PROFILE**

### **MR PANDJIJONO ADIJANTO @ TAN HONG PHANG**

*(Non-Independent Non-Executive Chairman)*

Mr Pandjijono Adijanto @ Tan Hong Phang, Male, 65 years of age, an Indonesian, was appointed as a Director of the Company on 21 March 1990 and subsequently appointed as the Non-Executive Chairman on 16 July 1999. He obtained an honours in Bachelor of Science Degree in Metallurgy from the University of Newcastle, United Kingdom in year 1977. After graduation, he started his career for Bumi Raya Group in Singapore in year 1978. Currently, he is the President of Bumi Raya Group, which has diversified interests in trading, mining, manufacturing, plantations and property investments. He is also the Chairman of the Remuneration Committee and a member of the Nomination Committee.

### **MR CHAN POH KIM**

*(Group MD)*

Mr Chan Poh Kim, Male, 61 years of age, a Singaporean, was appointed as a Director of the Company on 21 March 1990 before being appointed as an Executive Director on 10 November 1993 and subsequently appointed as Group MD on 5 January 1998. He graduated with a Bachelor of Science (Honours) Degree from Aston University in Birmingham, United Kingdom in year 1982. He started his career in the transport planning unit of Singapore Bus Service Ltd in year 1982 before joining Bumi Raya Group in Singapore in year 1983, then in Hong Kong in year 1986 and in Malaysia in year 1988.

### **MS MARIANA ADIJANTO @ TAN PHWE LENG**

*(Non-Independent Non-Executive Director)*

Ms Mariana Adijanto @ Tan Phwe Leng, Female, 60 years of age, a Singaporean, was appointed as a Director of the Company on 2 September 1993. She holds a Bachelor of Science (Honours) Degree from the University of Aston in Birmingham, United Kingdom, majoring in Pharmacy. Upon graduation in year 1981, she worked in various British hospitals and later worked in Cold Storage Pte. Ltd. from years 1982 to 1984. She joined Bumi Raya Group in Singapore in year 1984 and later in Hong Kong in year 1986. She has substantial management experience in the distribution and retail sector, which was accumulated throughout her years with Cold Storage Pte. Ltd. and Bumi Raya Group.

### **MR WONG YOKE KONG**

*(Independent Non-Executive Director)*

Mr Wong Yoke Kong, Male, 64 years of age, a Malaysian, was appointed as a Director of the Company on 15 February 1994. He was re-designated as an Independent Non-Executive Director on 12 May 2008. He graduated with Bachelor of Arts (Law) degree from Manchester Polytechnic, United Kingdom in year 1977 and was admitted as a barrister by Honourable Society of Gray's Inn, London in year 1978. He began his career in year 1979 as a legal assistant with Messrs. Sidek Sulaiman Sya. Since year 1982, he has been practicing as a founder partner of Messrs. Nazri Aziz & Wong, a Kuala Lumpur-based law firm. He is a member of the Audit Committee and the Chairman of the Risk Management Committee.

## **DIRECTORS' PROFILE**

### **(CONTINUED)**

#### **MR FOO CHOW LUH**

*(Senior Independent Non-Executive Director)*

Mr Foo Chow Luh, Male, 63 years of age, a Malaysian, was appointed as a Director of the Company on 21 June 1999 and was identified as Senior Independent Non-Executive Director on 15 April 2013. He graduated with a Bachelor of Science (Hons) degree in Quantity Surveying from the University of Reading, United Kingdom in year 1981. In year 1983, he qualified as a Registered Quantity Surveyor with the Board of Quantity Surveyors Malaysia and was admitted as a member of the Royal Institution of Surveyors Malaysia in year 1984. He is a Chartered Quantity Surveyor of The Royal Institution of Chartered Surveyors of United Kingdom. He began his career as a Senior Quantity Surveyor at Baharuddin Ali & Low Sdn. Bhd., a quantity surveying consultant firm in year 1981. He is a founder partner of Jurukur Bahan FPS Sdn. Bhd., a Consultant Quantity Surveying Firm. He is the Chairman of the Audit and Nomination Committees and a member of the Remuneration Committee and Risk Management Committee.

#### **MR CHONG CHEE FIRE**

*(Independent Non-Executive Director)*

Mr Chong Chee Fire, Male, 64 years of age, a Malaysian, was appointed as a Director of the Company on 5 March 2002. Mr Chong was awarded a Fellowship of the Association of Chartered Certified Accountants and holds an MBA degree from Bradford University, United Kingdom. He is also a member of the Malaysian Institute of Accountants. He has more than 30 years of working experience in the banking and financial services industry serving in various capacities and was the Chief Executive Officer ("CEO") of Pheim Unit Trusts Berhad ("Pheim") until 30 October 2003. Before joining Pheim, he was the Executive Director (Operations) of Hwang DBS Securities (Johor Bahru) Sdn Bhd. His previous appointments include 9 years in PT OCBC Sikap Securities in Jakarta, a subsidiary of OCBC Bank (Malaysia) Berhad, serving as its CEO from December 1996 to October 1999. He is also a member of the Audit, Nomination, Remuneration and Risk Management Committee.

#### **Notes to the Directors' Profile:**

##### **Family Relationship with any Director and/or major shareholder**

Save for Mr Pandjijono Adijanto @ Tan Hong Phang and Ms Mariana Adijanto @ Tan Phwe Leng who are siblings, none of the Directors have any family relationship with any other Director and/or Major Shareholder of the Company.

##### **List of Conviction for offences within the past 5 years**

None of the Directors have been convicted for any offences (other than traffic offences) within the past 5 years. There were no public sanction or penalty imposed by the regulatory bodies during the financial year.

## **DIRECTORS' PROFILE**

### **(CONTINUED)**

#### **Conflict of Interest with the Company**

None of the Directors have any conflict of interest involving the Company and its subsidiaries.

#### **Attendance at Board Meetings**

The details of attendance of the Directors at the Board Meetings during the financial year are set out on page 30 of this Annual Report.

#### **Directors' Shareholdings**

The details of Directors' shareholdings are set out in the Analysis of Shareholdings on page 145 of this Annual Report.

#### **Directorship in other public companies**

None of the Directors hold any other directorships in any public companies and listed issuers.



## **KEY SENIOR MANAGEMENT'S PROFILE**

### **MR CHAN POH KIM**

*(Group Managing Director)*

The profile of Mr Chan Poh Kim is disclosed in page 4 of the Annual Report.

### **MR LIM HONG CHIN**

*(Chief Operating Officer and Managing Director of Harrisons Sarawak Sdn. Bhd.)*

Mr Lim Hong Chin, Male, 64 years of age, a Malaysian was appointed as the Managing Director of Harrisons Sarawak Sdn. Bhd. since 1 Oct 1990. Mr Lim graduated from University of Warwick, UK with a BA (Honours) in Economics in 1979. Before his appointment as the Managing Director, Mr Lim held various positions in companies within the Harrisons Group, including Branch Manager of Sibul and Miri, Area Sales Manager Sarawak (based in Kuching), and Marketing Manager of Sabah, Sarawak and Brunei Darussalam (based in Kota Kinabalu).

### **MR CHANG KON SANG**

*(Managing Director and Finance Director of Harrisons Sabah Sdn. Bhd.)*

Mr Chang Kon Sang, Male, 68 years of age, a Malaysian was appointed as the Managing Director of Harrisons Sabah Sdn. Bhd. since 1 November 1997. Before that, he was appointed as Associate Director (Finance) on 1 October 1987 and later as the Finance Director on 1 October 1989. Mr Chang is a Fellow of the Institute of Chartered Accountant of England and Wales and a Registered Accountant of the Malaysian Institute of Accountants. He has served Harrisons Sabah Sdn. Bhd. since May 1980. Before his appointment as the Associate Director, he had held the positions of Senior Accountant and Chief Accountant/Company Secretary.

### **MR LOW KONG CHOON**

*(Chief Financial Officer/Group Company Secretary)*

Mr Low Kong Choon, Male, 61 years of age, a Malaysian was appointed as the Chief Financial Officer/ Group Company Secretary on 5 February 1991. Mr Low is a Fellow of the Australia Society of Certified Practising Accountant, a Chartered Accountant registered under the Malaysian Institute of Accountants and a Fellow of the Institute of Chartered Secretaries and Administrators. Mr Low worked as a financial controller for Bain Securities Ltd, Hong Kong and Bain & Co, Sydney from year 1987 to 1989. Mr Low has been overseeing Harrison's Group's financial, tax and secretarial matters for over 27 years.

### **MR TEE CHEE CHIANG**

*(Managing Director of Harrisons Peninsular Sdn. Bhd.)*

Mr Tee Chee Chiang, Male, 53 years of age, a Malaysian was appointed as the Managing Director of Harrisons Peninsular Sdn. Bhd. ("HP") on 1 July 2013. Mr Tee graduated from University Sains Malaysia, majoring in Economics and has been in the building materials supply industry for over 23 years. He joined HP as a Marketing Manager in 1995 and was promoted to the General Manager before his latest appointment. Mr Tee currently oversees the overall business operation of HP's diversified business in the distribution of building materials; agro/industrial chemicals; importers of fine wines and whiskies and also agent of air/sea freight forwarding.

## **KEY SENIOR MANAGEMENT'S PROFILE (CONTINUED)**

### **Notes to Key Senior Management's Profile**

- None of the key senior management holds any other directorship in other public companies and listed issuers nor have any family relationship with any Directors and/or major shareholder of the Company.
- None of the Key Senior Management has any conflict of interest with the Company and has no conviction for any offences within the past five (5) years and there was no public sanction or penalty imposed by the relevant regulatory bodies against the Key Senior Management during the financial year.

## **CHAIRMAN'S STATEMENT**

**Dear Shareholders,**

On behalf of the Board of Directors, I am pleased to present the Annual Report of Harrisons Holdings (Malaysia) Berhad ("Harrisons") and its Group of Companies ("Group") for the financial year ended 31 December 2018.

### **FINANCIAL PERFORMANCE**

It was a year of uncertainty for Malaysia in 2018 as it grapples with changes in administration and policies following the change in government in the 14th General Election. The implementation of zero-rated Goods and Service Tax (GST) resulted in significant increase in sales for 3 months starting 1 June 2018. The subsequent reintroduction of the Sales and Service Tax (SST) of 6% from 1 September 2018 had a dampening effect on sales. It took time for the consumers and businesses to adjust to the price variations arising from these changes in taxes.

Despite the uncertainties and challenges, I am pleased to report that the Group recorded our highest ever revenue of RM1.65 billion for 2018. Revenue for financial year 2018 increased by RM100.48 million or 6.48% while Profit Before Taxation improved by RM3.64 million or 12.99% to RM31.66 million. Profit After Tax increased by RM536,000 or 2.49% to RM22.07 million for financial year 2018. The full details of the Group performance are made available in the Management Discussion and Analysis section.

### **DIVIDENDS**

The Board has not adopted any dividend policy but has been able to consistently deliver reasonably good dividends over the years. Dividend payments are subject to Group's profitability, long-term plans and cash flow position. Basic earnings per share increased to 31.80 cents for the financial year 2018 as compared to 31.53 cents in the previous financial year. The Company proposes to declare a final single tier dividend of 20.00 cents per ordinary share in respect of the financial year ended 31 December 2018 (2017: 20 cents).

### **MOVING FORWARD**

The distribution business we are in is highly competitive. There is always a need to drive sales growth. We also face constant pressures from our principals to earn our margins. Qualifying for sales incentives get harder as more stringent Key Performance Indexes ("KPIs") are imposed on us by our principals. There is also a challenge to keep operational cost from escalating as the size of our business grows.

Our decision to diversify downstream to the retail sector materialised in 2018. We acquired Watts Harrisons Sdn. Bhd. that engages in the wholesale and retail of Komonoya products with a uniform price of RM5.90 each and The Famous Amos Chocolate Chip Cookie Singapore Pte Ltd that retails the Famous Amos Cookies in Singapore. We have been able to leverage on the strength of our distribution network to wholesale our Komonoya products to East Malaysia and Singapore. We have also received interests for the licensing of our Famous Amos Cookies to other countries in this region.

Overall, we remain cautiously optimistic for our established distribution and the new retailing business to grow moderately in 2019.

## **CHAIRMAN'S STATEMENT**

### **(CONTINUED)**

#### **ACKNOWLEDGEMENTS**

At this juncture, on behalf of the Board of Harrisons, I would like to give my appreciation to my fellow Directors, the management team and all our employees who have worked hard to drive the Group's growth forward. A word of thanks also to our valued customers, shareholders, merchants and business associates for their continuous support. Together, we look forward to Harrisons' brighter future for a greater year and even greater success in 2019.

Thank you.

Pandjijono Adijanto @ Tan Hong Phang  
Non-Independent Non-Executive Chairman

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Overview of Business Activities**

Harrisons' income is mainly derived from the marketing, sales, warehousing and distribution of consumer, building materials and engineering products, fine wines, agricultural and industrial chemicals, and the operation of shipping/logistics, travel agencies and retailing. These businesses are conducted as follows:

- a. In East Malaysia, Harrisons Sabah and Harrisons Sarawak are involved in the marketing, sales, warehousing and distribution of fast-moving consumer goods, building materials, engineering products and agricultural chemicals as well as the operation of shipping and travel agencies; and
- b. In Peninsular Malaysia, Harrisons Peninsular and Harrisons Marketing are involved in the marketing, sales, warehousing and distribution of building materials, industrial and agricultural chemicals, and import and distribution of fine wines as well as the freight forwarding and shipping.

Presently, Harrisons has over 200 principals, and distributes approximately 11,000 product items to over 10,000 accounts spread all over Malaysia. The Group operates a total network of 27 branches and 47 warehouses strategically located throughout Malaysia (13 in Peninsular, 9 in Sabah and 5 in Sarawak) and is supported by over 1,800 employees.

- c. In 2018, Harrisons acquired The Famous Amos Chocolate Chip Cookie Singapore Pte. Ltd. which retail the Famous Amos Cookies in Singapore and Watts Harrisons Sdn. Bhd. which retails and wholesale the Komonoya brand products with uniform prices in Malaysia.

### **Objectives and Strategy**

Harrisons' objective is to focus on its core strength of marketing and distribution, and to maintain its position as a leading distributor in Malaysia. The Group will continue to expand the sales of the Fast-Moving Consumer Goods and Building Materials by securing new agencies of good quality products and to grow its customer base in East and West Malaysia.

Harrisons views the new retails business synergistic to its core distribution business and will be a stepping stone to the Group to expand its businesses outside Malaysia.

### **Financial Performance Review**

The Group has continued to register a good financial performance for the financial year 2018, with encouraging growth achieved for both revenue and earnings.

For the financial year 2018, the Group achieved another milestone by recording our highest ever revenue of RM1.65 billion, an increase of RM100.47 million or 6.47% from the financial year ended 31 December 2017 of RM1.55 billion.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

	2018 RM'000	2017 RM'000	Changes RM'000	Growth %
<b>Revenue</b>				
Fast-Moving Consumer Goods	<b>1,363,779</b>	1,276,247	87,532	6.86%
Building Materials and Engineering Products	<b>208,792</b>	209,327	(535)	-0.26%
Industrial and Agriculture Chemicals Products	<b>51,944</b>	54,684	(2,740)	-5.01%
Retailing	<b>16,440</b>	-	16,440	100.00%
Others	<b>10,473</b>	10,696	(223)	2.08%
<b>Total Revenue</b>	<b>1,651,428</b>	<b>1,550,954</b>	<b>100,474</b>	<b>6.47%</b>

The sale of fast-moving consumer goods increased from RM1.28 billion in the financial year 2017 to RM1.36 billion in the financial year 2018 registering an increase of RM87.53 million or almost 6.86%. The increase is attributable to strong sales from our main agencies i.e Nestle, Heineken and Vinda. Heineken beer recorded double digit growth due to aggressive sales promotion and tightening controls by Customs on import of contraband beer to Sabah.

Sales of building materials declined slightly due to the sluggish construction and property sector. Sales of Industrial and Agriculture Chemical Products declined due to termination of some small agencies and unsuccessful tender bids. Margins for the 2 divisions were affected by price pressures and intensifying competition during 2018.

### Gross Profit

The Group's Gross Profit for the financial year 2018 was RM167.35 million with a margin of 10.13% compared to RM146.87 million with a margin of 9.47% for 2017. The higher margins of the new retail business partly raised the overall margins of the Group. We also received higher incentives from our principals for achieving sales targets in 2018.

### Profit Before Tax

Group's Profit Before Tax for the financial year 2018 increased by RM3.64 million or 12.99%, from RM28.02 million in the financial year 2017 to RM31.66 million for the financial year 2018.

Selling and distribution costs increased by RM2.57 million. Provision for stocks obsolescence was RM348,000 in the financial year 2018 compared to a write back of RM1.43 million in the financial year 2017. The write back in 2017 was mainly for ball bearings stocks which we provided as obsolete previously but managed to sell it in 2017. The 2018 provision for obsolete stock was mainly for slow moving consumer goods, paint and fertilizers.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Administrative expenses increased from RM100.71 million in the financial year 2017 to RM117.41 million in the financial year 2018. Human resource related expenses increased due to the salary increments, sales incentives and additional head-counts recruited for new agencies secured during 2018. This year we have also commenced consolidating the operating expenses of the 2 newly acquired subsidiaries in the retail industry.

During the current financial year, we reversed the provision of legal claims amounting to RM3.1 million. In 2015, the Sibu High Court awarded to the landlord, damages arising from a fire to a warehouse rented by our subsidiary, Harrisons Sarawak Sdn. Bhd. On 7 December 2016, the Court of Appeal by unanimous decision allowed Harrisons Sarawak Sdn. Bhd.'s appeal. The landlord subsequently made appeals on the decision of the Court of Appeal. The Federal Court dismissed the leave to appeal on 19 July 2018. In view of the conclusion of the legal matter, the need to pay the landlord no longer exists and the provision of legal claims of RM3.1 million previously provided in the financial year 2015 was reversed in the financial year 2018.

Other Operating Expenses increased by RM820,000 in financial year 2018 due to fair value losses arising from our investments in unit trusts which we held for some years. The investments suffered fair value losses due to the poor stock market performance in Malaysia and globally in 2018.

### Segmental information

	<b>Trading and distribution RM'000</b>	<b>Retailing RM'000</b>	<b>Others RM'000</b>	<b>Group RM'000</b>	<b>%</b>
<u>Geographical market</u>					
Sabah	916,593	-	8,066	924,659	55.99
Sarawak	470,870	-	875	471,745	28.57
Peninsular Malaysia	237,052	9,045	1,532	247,629	14.99
Singapore	-	7,395	-	7,395	0.45
	<u>1,624,515</u>	<u>16,440</u>	<u>10,473</u>	<u>1,651,428</u>	<u>100.00</u>
Profit Before Interest and Tax	40,246	765	(3,754)	37,257	
Interest income	1,311	-	110	1,421	
Finance costs	<u>(7,021)</u>	<u>-</u>	<u>-</u>	<u>(7,021)</u>	
Profit from ordinary activities before taxation	<u>34,536</u>	<u>765</u>	<u>(3,644)</u>	<u>31,657</u>	

Our businesses in Sabah and Sarawak contributed about 84.56% of total revenue, which is predominantly in sales of Fast-Moving Consumer Products. The sales of Building Materials are mostly in Peninsular Malaysia which contributed close to 15% of total revenue. The new retailing businesses contributed RM765,000 to Profit Before Tax, which mainly came from the retailing of Famous Amos Cookies during the last quarter of 2018. Sales are normally higher during the year end festive season.

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### Group Cash Flow

The Group Cash Flow showed a positive cash flow of RM40.95 million from operations and the net working capital changes decreased by RM31.45 million resulting in a net positive cash flow of RM3.29 million for financial year 2018.

### Group Financial Position

Trade Debtors decreased by RM6.73 million as at 31 December 2018 due to tightening of credit control and a reduction in trade and other receivables by RM4.91 million due to implementation of MFRS 9 for the financial year ended 2018. Inventories increased by around RM42.80 million at the end of the year due to stock-up of goods in preparation for year-end sales. This resulted in higher bank borrowings of RM205.24 million compared to RM187.88 million last financial year, and consequently interest expense increased by RM1.09 million in 2018.

### **Strategies and Future Profit Growth**

The size and strength of our distribution network comprising 27 branches, 47 warehouses and over 1,800 skilled staff that span across East and West Malaysia, will enable us to sustain our future business. We will leverage on our marketing and distribution network to secure new agencies and increase geographical coverage to grow our business.

Emphasis on growth will still be in the Fast-Moving Consumer Division which currently accounts for more than 80% on revenue. A new training manager position has been created and recruited during 2018 to equip our sales staff with the right knowledge, skills and confidence to market our fast-moving consumer products. Sales and marketing staff will be required to undergo oriented training programs and on-the-field coaching to improve sales productivity and market coverage. We are also increasing back room processing efficiencies through the implementation of our new Economic Resource Planning (ERP) system in stages.

We will cautiously expand our new and relatively small retail sector that retails the Komonoya brand in Malaysia and The Famous Amos Cookies in Singapore to other neighbouring countries. As this is a new business to the Group, Harrisons will manage the risks prudently by minimising its capital outlays to expand this business.

### **Prospects**

The distribution business which we are in is expected to remain challenging in 2019. Profits are sensitive to operation cost increases as our business operates on high volume and thin margins. Rising wages, staff attrition and increase in headcounts is expected to exert pressures on operation costs.

In 2018, we successfully secured the Red Bull and Wipro Unza agency but there is no certainty that new agencies will be secured yearly. However, we are optimistic that the long term business of the Group remains intact. Our business correlates with the performance of the Malaysia Economy which is expected to grow at 4.6% in 2019. Barring any unforeseen circumstances, we remain optimistic that growth will be sustained in 2019.



# **SUSTAINABILITY REPORT**

## **1) Introduction**

Sustainability is becoming a key component for companies to promote value creation, and demand for increased transparency on listed companies' economic, environmental, social ("EES") and corporate governance practices have been growing among investors.

At Harrisons Holdings (Malaysia) Berhad, sustainability has always been a part of the Group's culture as we strive to achieve continual financial performance and uninterrupted growth. Recognising the relevance of sustainability in our business values, our statement on sustainability aims to illustrate our approach to address sustainability challenges in contributing towards the betterment of the business, environment and society.

We are pleased to present our inaugural Sustainability Report for our financial year ended 31 December 2018. This Sustainability Report covers our Group's business operations in Malaysia and has been prepared in accordance with the guidelines set out in the Main Market Listing Requirements in relation to the Sustainability Statement in Annual Report of Listed Issuers ("Guidelines") issued by Bursa Malaysia Securities Berhad.

## **2) Corporate Profile**

Harrisons Holdings (Malaysia) Berhad was incorporated in Malaysia under the Companies Act, 1965 on 9th March 1990 as a private limited company under the name of Jantoco Trading Sdn Bhd and assumed its present name on 3 September 1991. It was converted to a public company on 28th April 1992.

Companies within the Group were purchased from Harrisons and Crosfield PLC (a public company listed on the London Stock Exchange), and well known previously in Malaysia particularly for the plantations it operates under Harrisons Malaysia Plantations Berhad. The oldest company in the Group, Harrisons Sabah Sdn. Bhd. (formerly known as Harrisons Trading (Sabah) Sdn. Bhd.) (renamed from Harrisons and Crosfield (Sabah) Sdn. Bhd. subsequent to its purchase from Harrisons and Crosfield PLC), came into being on 1 May 1918, bearing the name Harrisons and Crosfield (Borneo) Ltd.

Harrisons was listed on the Main Market of Bursa Malaysia in October 1999.

Harrisons' income is mainly derived from the marketing, sales, warehousing and distribution of consumer, building materials and engineering products, fine wines, agricultural and industrial chemicals, and the operation of shipping/logistics and travel agencies. These businesses are conducted as follows:

- (a) In East Malaysia, Harrisons Sabah and Harrisons Sarawak are involved in the marketing, sales, warehousing and distribution of fast moving consumer goods, building materials, engineering products and agricultural chemicals as well as the operation of shipping and travel agencies; and
- (b) In Peninsular Malaysia, Harrisons Peninsular and Harrisons Marketing are involved in the marketing, sales, warehousing and distribution of building materials, industrial and agricultural chemicals, and import and distribution of fine wines as well as the freight forwarding and shipping.
- (c) The newly acquired The Famous Amos Chocolate Chip Cookie Singapore Pte. Ltd. which retails the Famous Amos Cookies in Singapore and Watts Harrisons Sdn. Bhd. which retails and wholesales the Komonoya brand products.

## SUSTAINABILITY REPORT (CONTINUED)

### 3) Governance

Harrisons is governed by the Board of Directors which oversees the overall sustainability initiatives and sets policies to drive sustainability practices in the Group. This includes ensuring that the business strategy undertaken considers sustainability in determining the Group's strategic direction. The Board is supported by the management in overseeing the implementation of sustainability strategy and considers input of all business divisions/department/functions in sustainability processes. Moving forward, the Group will enhance the governance structure to oversee the formulation, implementation and effective management of our sustainability matters in line with the strategies of the Group.

### 4) Stakeholders Engagement

The Group recognises the importance of effective communication to ensure that our stakeholders understand our business, governance, financial performance and prospects. An important starting point in our sustainability journey is to identify our stakeholders and the material aspects relevant to our business.

Our stakeholders profile has been determined based on ongoing stakeholder dialogue and a review of issues that are critical to Harrisons. We define our stakeholders as those impacted by our business activities, who have direct and indirect involvement and whose interest may have positive or negative consequences due to our business activities. The interests and requirements of key stakeholders are also taken into account when formulating corporate strategies. These key stakeholders include, but are not limited to, principals, financiers, employees, customers, government/regulators and investors.

The Group is committed to engaging all of our stakeholders as part of our continued sustainability endeavors. We view stakeholder engagement as a continual process and not a one-off event. We adopt both formal and informal channels of communication to understand the needs of key stakeholders, and incorporate these into our corporate strategies to achieve mutually beneficial relationships. The following table represents the stakeholder engagement methods which the Group adopts in its sustainability practices to meet the EES requirements.

Stakeholder Group	Principals	Financiers	Employees	Customers	Government / Regulators	Investors
Engagement Method	-Meetings -Emails -Company Website -Marketing Activities -Surveys	-Update of Business Development -Update of Group Financials -Visiting Key Personnel of Banks	-Annual Performance Review -Staff Annual Dinner -Employee Events -Knowledge Sharing Sessions -Management Meetings	-Satisfaction Survey -Conventions -Roadshows -Marketing Materials -Store Openings	-Events and Seminars -Meetings -Briefings and Trainings -Attend Dialogues/Seminars Organised by Bursa Securities	-Annual General Meeting -Company Website -Annual Report -Quarterly Reports -Company Announcements

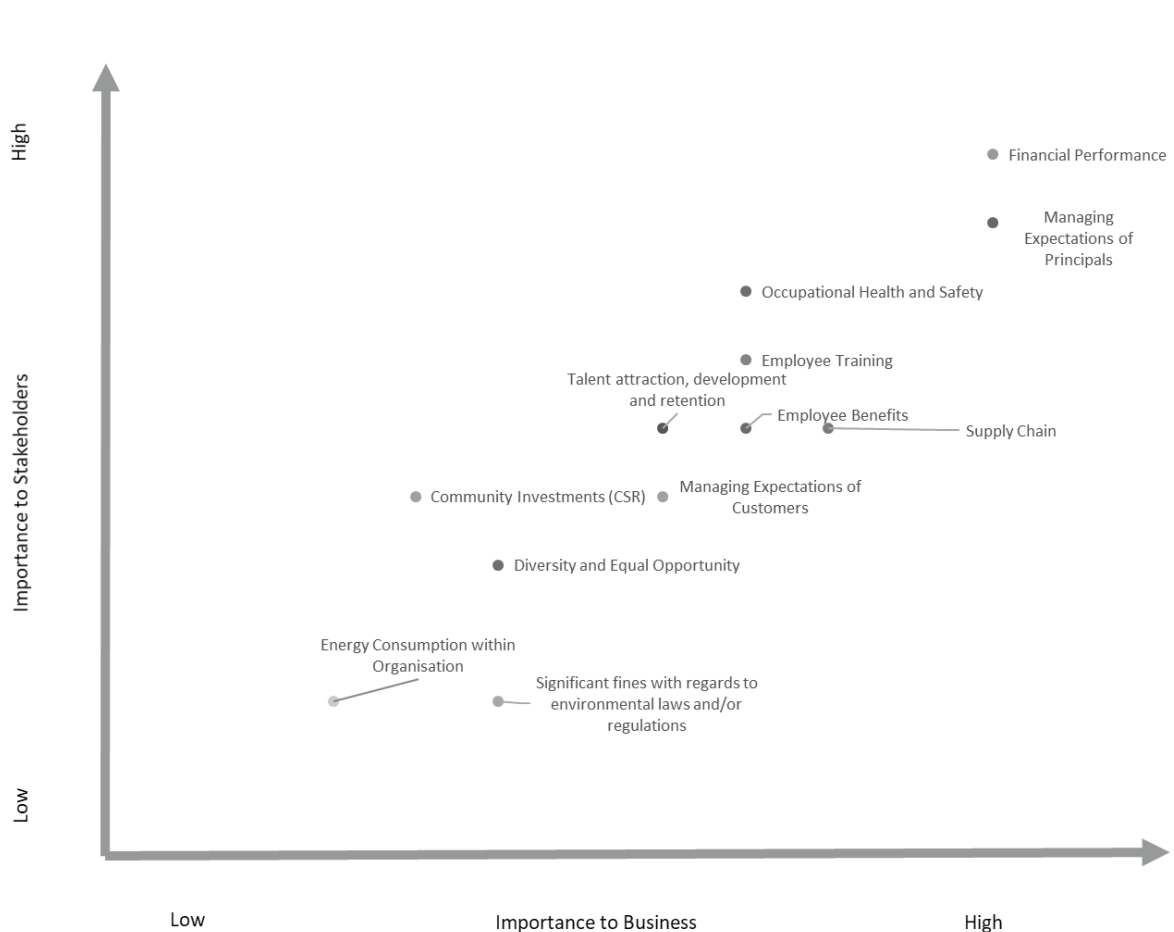
## SUSTAINABILITY REPORT (CONTINUED)

### 5) Materiality Assessment

Our sustainability process begins with the identification of material topics. In order to determine if an aspect is material, we assessed its potential impact on the economy, environment and society and its influence on the stakeholders.

We have identified these material topics for reporting based on the significance of our EES and economic impacts and the degree of influence where we see the most potential for creating maximum value for our shareholders and stakeholders. The identified topics are then prioritised.

The materiality assessment was guided by inputs and perspectives from our management and key representatives from business units. Going forward, materiality review will be conducted every year, incorporating inputs gathered from stakeholders' engagements. The matrix below represents the results of our materiality study.



## **SUSTAINABILITY REPORT (CONTINUED)**

### **6) Managing Sustainability**

#### **ECONOMIC**

##### **Financial Performance**

We are committed to achieving economic sustainability growth for our shareholders. We conduct our business in compliance with applicable laws and regulations and in accordance with high ethical business practices and good corporate governance.

As part of Harrisons' journey to incorporate a sustainable business practices in the long term, the Group is committed to a holistic approach to business management. Harrisons believes that focusing on financial sustainability is critical.

The Group's financial review and outlook are elaborated in the Management Discussion and Analysis section of this Annual Report.

##### **Managing Expectations of Principals**

Managing expectations of principals was identified as one of the most important material issues across the Group. Presently, Harrisons has over 200 principals, and distributes approximately 11,000 product items to over 10,000 accounts spread all over Malaysia.

Harrisons objectives is to focus on its distribution business and aims to maintain its position as a leading distributor. As such, knowing exactly what principals expect from us improves our bottom line and strengthens our reputation in the long term. Engaging with our principals regularly enable us to understand their needs and expectations, identify gaps and enable us to make informed assessments and formulate strategies for execution to bridge such gaps.

We have also embarked on changing our ERP system. This new ERP system is expected to enhance the efficiencies of our business processes and assist us in managing our businesses more effectively. It will also allow us to meet the speedy information demands by our principals and customers.

As for our suppliers, active engagement is done on a regular basis to align our requirements and expectations with them, thereby ensuring sufficient resources being obtained and seamless execution of our operations.

##### **Managing Our Customers**

We aim to provide products/services which meet customers satisfaction and exceed their expectations. We encourage our customers to provide their feedback. The feedback obtained is reviewed and relevant follow-up actions are performed to improve customer satisfaction.

While meeting our customers' satisfaction and requirements, the Group is also mindful that an equilibrium needs to be achieved with the appropriate strategies in sustaining our business. In managing our customers, the Group has implemented policies to ensure that credit sales of products and services are made to customers with an appropriate credit standing or with an appropriate credit history.

## **SUSTAINABILITY REPORT (CONTINUED)**

### **BUSINESS COMPLIANCE**

#### **Directors' Code of Ethics**

The Group has a Directors' Code of Ethics that sets out the standards and ethical conduct expected of all Directors of the Group.

The Directors' Code of Ethics provides commitment to ethical values through key requirements relating to conflict of interest, confidential information, insider information, protection of the Group's assets and compliance with law and regulations.

#### **Corporate Governance**

Harrisons is guided by the Malaysian Code on Corporate Governance 2017. We are proactive in promoting good corporate governance and ensures that the principles and best practices of good governance are applied throughout the Group. The details of our corporate governance practices of the Group are elaborated in the Corporate Governance Overview Statement of this Annual Report.

We have established standard operating policies and procedures, defined levels of authority and guidelines in our business operations to ensure compliance with internal controls, laws and regulations. These policies, procedures and guidelines are subjected to regular reviews and improvements.

#### **Risk Management**

The Group has an ongoing process for identifying, evaluating and managing key risks in the context of its business objectives. These processes are embedded within the Group's overall business operations and are guided by operational manuals, policies and procedures and are regularly reviewed by the Board.

### **ENVIRONMENT**

#### **Environmental Laws and Regulations**

In 2018, there was no incidence of non-compliance with laws and regulations resulting in significant fines or sanctions, and we endeavor to maintain this track record.

#### **Energy Management**

Harrisons is fully aware of its responsibility for nurturing the environment and lessening negative environmental consequences at our workplace and the environment where we operate.

We are committed to preserving the environment by implementing environmental-friendly practices in our operations. At our workplace, we encourage energy saving measures such as controlling the air conditioning temperature at reasonable level and turning off electrical appliances when no one is using. We practice recycling at our offices and reuse recycled papers whenever possible, to reduce paper usage.

## **SUSTAINABILITY REPORT (CONTINUED)**

### **SOCIAL**

#### **Engaging with Our Employees**

Two-way communication in the workplace is vital for alignment between employees and our Group's overall business strategy. Continuous open dialogue is the main platform used to engage our employees. Open dialogues are conducted informally to encourage employees to raise any issues to management. We believe that this provides a more interactive and direct channel for any form of feedback.

#### **Employee Welfare and Benefits**

Our work environment is aimed at providing a fair performance-based work culture that is diverse, inclusive and collaborative. We also encourage our people to reach their fullest potential and provide them with a fulfilling and meaningful career. We have structured attractive remuneration packages to ensure employees are justly rewarded and to ensure that we remain competitive to attract strong talent.

An employee handbook is in place covering the policies, benefits, procedures and code of conducts that have to be abided by the employees under the Group. As for employees' benefits, apart from complying with the statutory requirements in Malaysia, benefits such as staff uniform, company transport, meal allowance and Group Hospitalisation insurance are also provided to all employees.

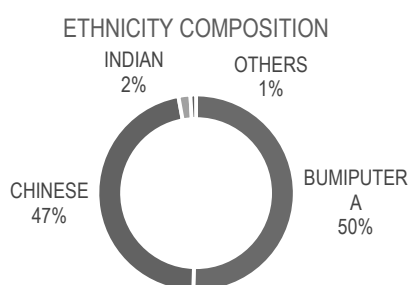
Employee wellbeing has important implications for productivity and work relationships. To promote a healthier and active lifestyle among employees, the Group supports in-house Sport Clubs which organises various sports and recreational activities on a regular basis.

#### **Diversity and Equal Opportunity**

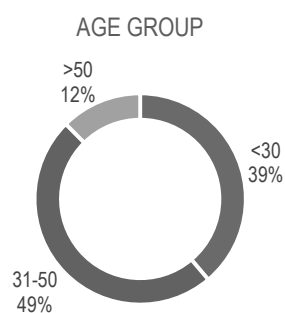
Building and retaining talent are both critical in growing the Group as the continuous growth of the Group needs talented employees. We pledge to the principle of equal opportunity in hiring, promoting and rewarding our employees. Having a diverse workforce with equal opportunity regardless of age, race and gender is one of the ways to build and retain talent.

## SUSTAINABILITY REPORT (CONTINUED)

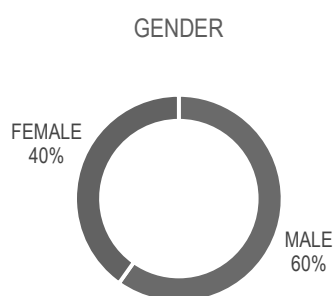
As at 31 December 2018, Harrisons employed 1,847 people. The diversity of Harrisons workforce in terms of ethnicity, age and gender as at 31 December 2018 is as follows:



Employee by Ethnicity	No.
Bumiputera	931
Chinese	863
Indian	36
Others	17
<b>Total</b>	<b>1,847</b>



Employee Age Composition (By Age Group, Years)	No.
<30	716
31-50	900
>50	231
<b>Total</b>	<b>1,847</b>



Employee by Gender	No.
Male	1,101
Female	746
<b>Total</b>	<b>1,847</b>

## **SUSTAINABILITY REPORT (CONTINUED)**

### **Employee Training and Development**

Every employee plays an essential role in the Group. We focus on attracting and retaining talent and then helping them to develop their skills to drive our Group's success. Harrisons is highly regarded as an employer, and has successfully nurtured and retained a pool of loyal, committed, professional and capable staff.

We believe that learning and training is an important, continuous and life-long process so that employees are equipped with the competencies needed to meet current and future business needs. This includes workshops, seminars, conferences, in-house company training and on-the-job training. During the year, Harrisons has conducted several in-house trainings to upgrade their skills and knowledge.

Harrisons places emphasis on its staff development programmes. As with its Board of Directors, staff are also encouraged to undertake continuing professional education to equip themselves with the latest technical and statutory updates to stay relevant and be prepared for their jobs.

We offer education assistance programme to support our employee's development and career growth. Over the years, Harrisons has been sponsoring employees to pursue qualifications relevant to their field of work. This includes reimbursement of fees for professional courses such as MBA and marketing courses. Harrisons is also an ACCA Approved Employer.

### **Occupational Health and Safety**

Harrisons places strong emphasis on a workplace that is free from theft, violence, harassment, intimidation and other unsafe and disruptive influences due to internal and external conditions as the staff are the backbone to the Group.

The key health and safety activities held by the Group includes fire drills, evacuation exercises and training in proper use of equipment and proper work instructions in order to prevent workplace hazards from happening.

We are proud to report that there have been no work place incidents for 2018.

### **Local Community**

We care about giving back to the community. To this end, we encourage and support the local community and improve the quality of life of underprivileged communities through financial contributions and humanitarian efforts.

During this financial year, we have donated to non-profit organisations including but not limited to Pertubuhan Kebajikan Anak-Anak Yatim Dan OKU Mesra, Taman Cahaya Training Centre for the Blind, Persatuan OKU Labuan to assist these organisations in their operating expenses and running of existing programmes.



## **SUSTAINABILITY REPORT (CONTINUED)**

### **Whistleblowing Policy**

We practise an open and honest policy enabling our employees to report on any suspected misconduct, corporate misbehavior and fraudulent activities. Harrisons has established a Whistleblowing Policy that outlines the Group's commitment to ensure that employees and other stakeholders are able to raise concerns regarding any illegal conduct or malpractice at the earliest opportunity without being subject to victimization, harassment or discriminatory treatment, and to have such concerns properly investigated.

This policy sets out the mechanism and framework by which employees, contractors, consultants and any other individuals or organization who have dealings with the Company can confidently voice concerns/complaints in a responsible manner without fear of discriminatory treatment.

### **Moving Forward**

Our inaugural Sustainability Report has provided us with a structured process to guide our improvement efforts going forward, with selected data points to measure ourselves by. We recognise that we still have room for enhancement, both in terms of initiatives undertaken and our reporting structure.

At Harrisons, we will continue to keep abreast of developments in our industry, actively and regularly engage our stakeholders, and seek to further embed sustainable practices within our businesses so as to improve our overall sustainability performance.

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT**

The Board remains committed to subscribe to the principles of good corporate governance that is central to the effective operation of the Group and to ensure to reach the highest standards of accountability and transparency. The Board will continue promoting existing corporate governance principles and incorporate the practices and corresponding guidance as set out in the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”) into the existing Corporate Governance framework with reference to the Corporate Governance Guide (“the Guide”) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”).

The Board is pleased to provide this Statement, which outlines the main corporate governance practices applying the three (3) principles under MCCG 2017 that were in place throughout the financial year as below:

- A. Board Leadership and Effectiveness
- B. Effective Audit and Risk Management
- C. Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

This Statement is also prepared in compliance with the Main Market Listing Requirements of Bursa Securities (“Main Market Listing Requirements”) and it is to be read together with the Corporate Governance Report 2018 of the Company which is available on Bursa Securities’ website at [www.bursamalaysia.com/market](http://www.bursamalaysia.com/market).

### **Principle A : Board Leadership and Effectiveness**

#### **Part I – Board Responsibilities**

##### **1. Board’s Leadership on Objectives and Goals**

###### **1.1 Strategic Aims, Values and Standards**

The Board is responsible for the overall performance of the Group and focuses mainly on the strategic management, enhancing corporate value of the Group, performance monitoring and measurement, risk management and internal controls, standards of conduct, shareholders’ communication and critical business decisions.

In carrying out its duties, the Board has amongst others, a formal schedule of matters specifically reserved for its decision, including overall strategic direction, major capital commitments and capital expenditure, material acquisitions and disposals, authority limits/levels, significant material litigation, risk management practices, and monitoring of the Group’s operating and financial performance.

The roles and responsibilities of the Board are set out in the Board Charter which is available on Harrisons’ corporate website at [www.harrisons.com.my](http://www.harrisons.com.my).

The Board delegates and confers some of its authorities and discretion on the Chairman, Group MD and management as well as on properly constituted Board Committees comprising exclusively Non-Executive Directors.

The Board Committees, comprising the Audit Committee, Nomination Committee and Remuneration Committee are entrusted with specific responsibilities to oversee the Group’s affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference. The Chairman of the relevant Board Committees also report to the Board on key issues deliberated by the Board Committees at their respective meetings.

In general, the Non-Executive Directors are independent of management. Their roles are to constructively challenge management and monitor the success of management in delivering the approved targets and business plans within the risk appetite set by the Board. They have free and open contact with management at all levels, and they engage with the external and internal auditors to address matters concerning management and oversight of the Group’s business and operations.

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)**

The Board is constantly mindful of the need to safeguard the interest of the Group's stakeholders and acknowledges the importance of ensuring that the Company's strategies promote sustainability. The Board regularly reviews the strategic direction of the Company and the progress of the Company's operations. The Board promotes good corporate governance in the application of sustainability practices throughout the Company, the benefits of which are believed to translate into better corporate performance. The sustainability activities demonstrating the Company's commitment to the global environmental, social, governance and sustainability agenda, can be found in the Sustainability Report on page 18 of this Annual Report.

### **1.2 Chairman**

The Board is headed by Mr Pandijono Adijanto @ Tan Hong Phang, a Non-Independent Non-Executive Chairman, who has broad exposure and extensive experience in the international trade and investment arena.

As a Chairman, he plays a vital role in leading and guiding the Board, and also serves as the communication point between the Board and the Group MD.

### **1.3 Separation of the Positions of the Chairman and Chief Executive Officer/Managing Director**

The positions of the Chairman and the Group MD are held by two different individuals. Mr Pandijono Adijanto @ Tan Hong Phang, a Non-Independent Non-Executive Director, is the Chairman while Mr Chan Poh Kim is the Group MD.

The Board recognises the importance of having a clear separation of responsibilities of the Chairman and the Group MD to promote accountability, ensure appropriate balance of roles and facilitates division of responsibilities between them to ensure no one individual can influence the Board's discussions and decision making. The distinct and separate roles of the Chairman and the Group MD ensures appropriate balance of roles, responsibilities and accountability at Board level.

The distinct roles of the Chairman and the Group MD are mentioned in the Board Charter of the Company, which is available at the Company's website.

### **1.4 Qualified and Competent Secretaries**

In performing their duties, all Directors have access to the services of the Company Secretaries. The Company Secretaries act as the corporate governance counsel and ensure good information flow within the Board, Board Committees and the management. The Company Secretaries attended all meetings of the Board and Board Committees and advises the Directors on the requirements encapsulated in the Company's Constitution and legislative promulgations such as the Companies Act, 2016 ("the Act"), MMLR, MCCG 2017 and other relevant rules and regulations.

### **1.5 Access to Information and Advice**

All Directors have unrestricted access to the Company's records and information and are furnished with quarterly financial and operational reports by Management. In addition, the Audit Committee regularly communicates with the Group MD and Senior Management when carrying out their duties and responsibilities and requests for additional information and clarification as and when necessary.

In order to discharge their duties, the Directors are provided with full and timely access to written reports and supporting information prior to Board meetings and are free to seek any further information they consider necessary. The Board's reports and papers include information on major financial, operational and corporate matters as well as the activities and performance of the Group.

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)**

In addition, the Directors are given unrestricted access to all staff in order to understand the progress of the Company's business. All Directors have access to the advice and services of the Company Secretaries who are capable of carrying out their duties. Besides seeking the advice and services of the Company Secretaries, any Director wishing to do so in furtherance of his duties, may engage independent professional advice at the Company's expense.

### **2. Demarcation of Responsibilities**

#### **2.1 Board Charter**

The Board Charter serves as a reference and primary induction literature, providing all Board members and the management insights into the fiduciary and leadership functions of the Board. It also clearly sets out the respective roles and responsibilities of the Board, Board Committees, individual directors and the management.

The Board Charter shall be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.

The Group MD, Mr Chan Poh Kim and his management team are responsible for implementing the plans chartered out and the day to day management of the Group, with clear authority delegated by the Board.

The role of the management team is to support the Group MD and implement the running of the general operations and business of the Group, in accordance with the delegated authority of the Board.

The Non-Executive Directors are not employees of the Group and do not participate in the day to day management of the Group. Three (3) out of the five (5) Non-Executive Directors are Independent Directors and are able to express their views without any constraint. This strengthens the Board, whereby independent views are expressed and taken into consideration before any decisions are made.

On 12 April 2019, the Board reviewed and updated the Board Charter which sets out the roles, functions, compositions, operations and processes of the Board as well as the Code of Ethics and Conduct for Directors, to align with the MMLR, MCCG 2017 and other relevant rules and regulations.

### **3. Promoting Good Business Conduct and Corporate Structure**

#### **3.1 Code of Ethics and Conduct**

The Group is committed to achieving and monitoring high standards pertaining to behaviour at work.

The Board is strictly adhered to the Company Directors' Code of Ethics established by the Companies Commission of Malaysia in discharging its oversight role effectively. The Code of Ethics requires all Directors to observe high ethical business standards, apply these values to all aspects of the Group's business and professional practice, and act in good faith in the best interests of the Group and its shareholders. The Code of Ethics and Conduct for the Company Directors is incorporated in the Board Charter.

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)**

### **3.2 Whistleblowing Policy**

The Company has adopted a whistleblowing policy for the Group as a measure to promote the highest standard of corporate governance. The whistleblowing policy serves as a platform whereby all employees are encouraged to report genuine concerns about unethical behaviour or malpractices. Any such concerns should be raised with the Senior Independent Non-Executive Director of the Company, Mr Foo Chow Luh.

The whistleblowing policy is available at the Company's website at [www.harrisons.com.my](http://www.harrisons.com.my).

## **Part II – Board Composition**

### **4. Strengthen Board's Objectivity**

#### **4.1 Board Composition**

The Company is led by an experienced Board, comprising one (1) Non-Independent Non-Executive Chairman, one (1) Executive Director, one (1) Non-Independent Non-Executive Director and three (3) Independent Non- Executive Directors.

The present composition of the Board is in compliance with Paragraph 15.02 of the MMLR and Practice 4.1 of MCCG 2017, as at least half of its members are Independent Directors.

The Directors have expertise and experience in various fields such as economics and investment, retail services, accounting, banking, financial and legal. Their expertise, experience and background result in thorough examination and deliberations of the various issues and matters affecting the Group.

The profile of the Directors is set out in this Annual Report.

#### **4.2 Senior Independent Non-Executive Director**

The Board has identified, Mr Foo Chow Luh, as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed.

Mr Foo Chow Luh can be contacted by e-mail at [clfoo@harrisons.com.my](mailto:clfoo@harrisons.com.my)

#### **4.3 Tenure of Independent Director**

The Independent Non-Executive Directors are considered independent of any business or other relationship or circumstances that could interfere with the execution of their independent judgment and decision making in the best interests of the Company.

Currently, there are three (3) long serving Independent Non-Executive Directors, namely Mr Chong Chee Fire, Mr Foo Chow Luh and Mr Wong Yoke Kong, who have each served more than nine (9) years as Independent Directors of the Company. The Board on the review and recommendation made by the Nomination Committee is unanimous in its opinion that the three (3) Independent Directors have fulfilled the criteria under the definition of an Independent Director as set out under Paragraph 1.01 of the MMLR of Bursa Securities.

The Board believed that the independence of Independent Directors remained unimpaired and their judgment over business dealings of the Company was not influenced by the interest of the other Directors or Substantial Shareholders.

Thus, the Board would recommend to the shareholders for approval at the forthcoming 29th Annual General Meeting ("AGM") for Mr Foo Chow Luh, Mr Chong Chee Fire and Mr Wong Yoke Kong to continue to act as Independent Directors of the Company.

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)**

### **4.4 Policy of Independent Director's Tenure**

The Board has adopted a nine-year policy for Independent Non-Executive Directors. An Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. Otherwise, the Board will justify and seek shareholders' approval at the AGM in the event the Director is to be retained as an Independent Director.

If the Board continues to retain the Independent Director after the twelfth (12) year, the Board is required to seek for shareholders' approval through a two-tier voting process to retain the said director as an Independent Director.

### **4.5 Diverse Board and Senior Management Team**

The Company has adopted a Board Diversity Policy and strictly adhered to the practice of non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, which includes the selection of Board members. The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company.

The Group shall endeavour to meet the diversity at the senior management level and the composition of the key senior management of the Group comprises a mixture of both genders.

### **4.6 Gender Diversity**

The Board acknowledges the importance of boardroom diversity and the practice of the MCCG 2017 pertaining to the establishment of a gender diversity policy.

The Board had established the Boardroom Diversity Policy as set out in Appendix 6 of the Board Charter of the Company, which is available on the Company's website.

The Company has one (1) female director for the time being and will endeavour to achieve 30% female director. Nonetheless, the Company will endeavour to achieve a higher target through progressive refreshing of the Board as it implements the nine-year policy for Independent Non-Executive Director.

### **4.7 Identification of New Candidates for Appointment of Directors**

The Nomination Committee is responsible for identifying and recommending suitable candidates for Board membership proposed by the management or any Director or Shareholder, taking into consideration the candidates' skills, knowledge, expertise, experience, time commitment, character based on the 'Fit and Proper' criteria as stated in the Board Charter.

The Board will have the ultimate responsibility and final decision on the appointment. This process shall ensure that the Board membership accurately reflects the long term strategic direction and needs of the Company, and determines skills matrix to support strategic direction and needs of the Company.

The Nomination Committee takes cognisance of utilising independent source to identify suitable candidates as recommended by the MCCG 2017 when vacancies arise.

In addition, the Company's Constitution states that one-third (1/3) of the Directors shall retire from office by rotation at each AGM and all Directors shall retire from office at least once every three (3) years but shall be eligible to offer themselves for re-election. The Directors who are appointed by the Board during the financial period before the AGM are subject to re-election by Shareholders at the next AGM following their appointments.

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)**

### **4.8 Nomination Committee**

The Nomination Committee is established to identify, assess and recommend new nominees to the Board and evaluate annually the performance of all Board members. It assists the Board in reviewing the required mix of expertise, skills, experience, qualifications and assesses the effectiveness of the Board as a whole and the contribution of each individual Director. There was one (1) meeting held in the financial year under review.

The Board, through the Nomination Committee, assesses the independence of Independent Directors annually. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Company and his involvement in any significant transaction with the Company.

The Nomination Committee has reviewed the independence and performance of the Independent Directors and is satisfied that they have been able to discharge their responsibilities in an independent manner.

Based on the above assessment in 2018, the Board is generally satisfied with the level of independence demonstrated by all the Independent Directors, and their ability to bring independent and objective judgment to Board deliberations.

The terms of reference of the Nomination Committee outlining the composition, proceeding of meetings, authority and duties and responsibilities is available on the Company's website.

The Nomination Committee comprises of wholly Non-Executive Directors of which majority are Independent Directors and the members are as follows:-

<b>No.</b>	<b>Name of Directors</b>	<b>Designation</b>
1.	Mr Foo Chow Luh (Chairman)	Senior Independent Non-Executive Director
2.	Mr Pandjijono Adijanto @ Tan Hong Phang (Member)	Non-Independent Non-Executive Director
3.	Mr Chong Chee Fire (Member)	Independent Non-Executive Director

The Nomination Committee has assessed and is satisfied with the current size of the Board, and with the mix of qualifications, skills and experience among the Board members.

### **5. Overall Board Effectiveness**

#### **5.1 Annual Evaluation**

The Nomination Committee reviews and evaluates the performance of the Board and its Committees on an annual basis, with a view to meeting current and future requirements of the Group. The evaluation comprises a Board and Board Committees Assessment, an Individual (Self & Peer) Assessment and an Assessment of Independence of Independent Directors.

The assessment of the Board is based on specific criteria, covering areas such as the Board operations, stakeholder relationship, and roles and responsibilities of the Board and the Board Committees.

For Individual (Self & Peer) Assessment, the assessment criteria include contribution to interaction, quality of outputs and understanding of roles and independence of Independent Directors. The Nomination Committee will assess the continuing independence of the Independent Directors based on the assessment criteria developed by the Nomination Committee, and recommended to the Board for recommendation to shareholders for approval. Justification for the Board's recommendation will be provided to the shareholders.

The results of the assessment would form the basis of the Nomination Committee's recommendation to the Board for the re-election of Directors at the next AGM.

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)**

For the financial year ended 31 December 2018, the Nomination Committee had conducted one meeting to discharge its duties as below:-

- Assessed the contribution of each individual Director;
- Reviewed the Board structure, size, composition and the balance between Executive Directors, Non-Executive Directors and Independent Directors to ensure that the Board has the appropriate mix of skills and experience including core competencies which Directors should bring to the Board and other qualities to function effectively and efficiently;
- Reviewed the independence of Independent Directors;
- Discussed the annual retirement by rotation and re-election of Directors at the forthcoming AGM and recommended the same for re-election by the shareholders: and
- Reviewed the performance of the Chief Financial Officer.

The Board meets on a quarterly basis, with additional meetings being convened when necessary to address issues deemed urgent. The attendance record of the Directors at Board and Board Committee meetings during the financial year under review is set out as follows:-

<b>Meeting Attendance</b>	<b>Board</b>	<b>Audit Committee</b>	<b>Nomination Committee</b>	<b>Remuneration Committee</b>	<b>Risk Management Committee</b>
Mr Pandijono Adijanto @ Tan Hong Phang	4/5	-	1/1	1/1	-
Mr Chan Poh Kim	5/5	-	-	-	-
Ms Mariana Adijanto @ Tan Phwe Ieng	5/5	-	-	-	-
Mr Wong Yoke Kong	5/5	5/5	-	-	2/2
Mr Foo Chow Luh	5/5	5/5	1/1	1/1	2/2
Mr Chong Chee Fire	5/5	5/5	1/1	1/1	2/2

All the Directors have complied with the minimum attendance requirements as stipulated in the MMLR of Bursa Securities during the financial year.

To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, the Directors must not hold directorships at more than five (5) public listed companies and shall notify the Chairman before accepting any new directorship.

To facilitate the Directors' time planning, an annual meeting schedule is prepared and circulated at the beginning of every year, as well as the tentative closed periods for dealings in securities by Directors based on the targeted date of announcement of the Group's quarterly results.

All Directors have attended and successfully completed the Mandatory Accreditation Programme prescribed by Bursa Securities.

The Board will attend trainings to keep abreast with the changes and development of the relevant new laws and regulations, financial reporting, risk management and investors relation to effectively discharge their duties as Directors.

The Board will assume the onus of determining and overseeing the training needs of the Directors. During the financial year under review, the Directors have attended the following training, seminars, conferences and exhibitions which they considered vital in keeping abreast with changes in laws and regulation, business environment, and corporate governance development:



## **CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)**

<b>No.</b>	<b>Name of Director</b>	<b>Course Attended</b>	<b>Conducted by</b>
1	Mr Pandjijono Adijanto @ Tan Hong Phang	<ul style="list-style-type: none"> <li>- Outlook For 2018</li> <li>- Mid-Year Market Outlok</li> <li>- Market Outlook</li> <li>- Investment Outlook</li> </ul>	<ul style="list-style-type: none"> <li>- The Standard Chartered Bank</li> <li>- The Standard Chartered Bank</li> <li>- Deutsche Bank AG</li> <li>- Union Bancaire Privee</li> </ul>
2	Mr Chan Poh Kim	<ul style="list-style-type: none"> <li>- Market Outlook</li> </ul>	<ul style="list-style-type: none"> <li>- The Standard Chartered Bank</li> </ul>
3	Ms Mariana Adijanto @ Tan Phwe Leng	<ul style="list-style-type: none"> <li>- Mid-Year Market Outlook Seminar on Private Equity</li> <li>- Investment Outlook</li> </ul>	<ul style="list-style-type: none"> <li>- LGT Bank</li> <li>- LGT Bank</li> </ul>
4	Mr Foo Chow Luh	<ul style="list-style-type: none"> <li>- Multi Asset Investing</li> </ul>	<ul style="list-style-type: none"> <li>- Fidely International</li> </ul>
5	Mr Chong Chee Fire	<ul style="list-style-type: none"> <li>- 2019 Budget</li> </ul>	<ul style="list-style-type: none"> <li>- Malaysian Institute of Accountant</li> </ul>
6	Mr Wong Yoke Kong	<ul style="list-style-type: none"> <li>- Updates To The Companies Act, 2016</li> </ul>	<ul style="list-style-type: none"> <li>- Kuala Lumpur Bar Committee</li> </ul>

The Company will continue to identify suitable training for the Directors to equip and update themselves with the necessary knowledge in discharging their duties and responsibilities as Directors. The Directors are encouraged to attend briefing, conferences, forums, trade fairs (locally and internationally), seminars and training to keep abreast with the latest developments in the industry and to enhance their skills and knowledge.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

### Part III - Remuneration

#### 6. Level and Composition of Remuneration

##### 6.1 Remuneration Policy

The Remuneration Committee is responsible for recommending to the Board the policy framework on the terms of employment, remuneration and bonuses or incentives of the Executive Director and Senior Management. The Remuneration of the Non-Executive Directors is decided by the Board as a whole. Individual Directors abstain from deliberations and voting on their own remuneration at the Board and Remuneration Committee meetings. There was one (1) meeting of the Committee held in the financial year 2018.

The Remuneration Committee comprises wholly Non-Executive Directors as below, of which majority are Independent Directors:-

No.	Name of Directors	Designation
1.	Mr Pandjijono Adijanto @ Tan Hong Phang (Chairman)	Non-Independent Non-Executive Director
2.	Mr Foo Chow Luh (Member)	Senior Independent Non-Executive Director
3.	Mr Chong Chee Fire (Member)	Independent Non-Executive Director

The Remuneration Committee reviews the remuneration policy each year with a view to ensuring it is fair and able to attract and retain talent who can add value to the Group. The Non-Executive Directors' fees are tabled at the Company's AGM for approval.

#### 7. Remuneration of Directors and Senior Management

##### 7.1 Detailed Disclosure of Directors' Remuneration

The details of the Directors' remuneration comprising remuneration received from the Company and its subsidiaries in the financial year ended 31 December 2018 are as follows:

##### COMPANY

	RM'000			
	Fees	Allowances (inclusive of defined contribution plan)	Benefits- In-Kind	Total
<b>Executive Director</b> • Chan Poh Kim	-	-	23	23
<b>Non-Executive Directors</b> • Pandjijono Adijanto @ Tan Hong Phang	126	2.5	-	128.5
• Mariana Adijanto @ Tan Phwe Leng	64	2.0	-	66.0
• Foo Chow Luh	73	2.5	-	75.5
• Wong Yoke Kong	73	2.5	-	75.5
• Chong Chee Fire	73	2.5	-	75.5
<b>Total</b>	<b>409</b>	<b>12</b>	<b>23</b>	<b>444</b>

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

### GROUP

	RM'000					
	Salary (inclusive of defined contribution plan)	Fees	Bonus (inclusive of defined contribution plan)	Allowances	Benefits- In-Kind	Total
<b>Executive Director</b> • Chan Poh Kim	1,266	-	1,086	-	86	2,438
<b>Non-Executive Directors</b> • Pandjijono Adijanto @ Tan Hong Phang	-	126	-	2.5	-	128.5
• Mariana Adijanto @ Tan Phwe Leng	-	64	-	2.0	-	66.0
• Foo Chow Luh	-	73	-	2.5	-	75.5
• Wong Yoke Kong	-	73	-	2.5	-	75.5
• Chong Chee Fire	-	73	-	2.5	-	75.5
<b>Total</b>	<b>1,266</b>	<b>409</b>	<b>1,086</b>	<b>12</b>	<b>86</b>	<b>2,859</b>

The number of Directors whose total remuneration falls within the following bands are as follows:

Remuneration Range (RM)	Number of Directors
<b>Executive Director</b> Between 2,400,001 – 2,450,000	1
<b>Non-Executive Directors</b> Between 50,001 – 100,000	4
Between 100,001 – 150,000	1

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)**

The details of the aggregate remuneration of the top (5) Senior Management staff of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries) during the FYE 2018 are categorized as follows :

<b>Senior Management Staff Category</b>	<b>Group (RM'000)</b>	<b>Company (RM'000)</b>
Salaries and bonuses <sup>1</sup> Benefits-in-kind <sup>2</sup>	4,775 173	- 40
<b>Total</b>	<b>4,948</b>	<b>40</b>

**Notes :**

1. Salaries and bonuses comprised basic salary, bonus, allowance, EPF and SOCSO.
2. Benefits-in-kind comprised provision of company motor vehicle, petrol and accommodation.

The number of Senior Management staff whose total remuneration falls within the following bands are as follows:

<b>Remuneration Range (RM)</b>	<b>Number of Senior Management staff</b>
Between 350,001 to 400,000	1
Between 600,001 to 650,000	1
Between 650,001 to 700,000	1
Between 800,000 to 850,000	1
Between 2,400,001 to 2,450,000	1

The Board has chosen to disclose the Senior Management staff's remuneration in bands instead of named basis as the Board was of the view that it would not be in its interest to make such detailed disclosure because of the competitive nature of the human resource market and to support the Group's efforts to attract and retain executives.

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)**

### **Principle B : Effective Audit and Risk Management**

#### **Part I – Audit Committee**

##### **8. Audit Committee**

The Board strives to provide true, fair and comprehensive financial reporting of the Group's performance in the audited financial statements and quarterly financial reports together with material disclosures in the notes to accounts, in accordance with the Malaysia Financial Reporting Standards ("MFRS") and MMLR of Bursa Securities.

The Audit Committee exercises professional oversight of the integrity of the financial reports before presenting the financial statements to the Board for approval. The Audit Committee also provides assurance to the Board, with support and clarifications from the External Auditors that all the statutory financial statements and reports presented are in compliance with applicable laws and accounting standards and give a true and fair view of the Group's performance and financial position.

The Audit Committee has also reviewed the provision of non-audit services by the External Auditors during the year and concluded that the provision of these services did not compromise the External Auditors' independence.

The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval.

In the assessment of the External Auditors, the Audit Committee considered several factors, which included adequacy of experience and resources of the firm and the professional staff assigned to the audit and independence of Messrs. PricewaterhouseCoopers PLT.

Based on the Audit Committee's assessment, the Board was satisfied with the independence, quality of service and adequacy of resources provided by the External Auditors in carrying out the annual audit for year 2018. In view thereof, the Audit Committee recommended the re-appointment of Messrs. PricewaterhouseCoopers PLT to the Board, upon which the shareholders' approval will be sought at the forthcoming AGM.

The Board has private sessions and dialogues through the Audit Committee with the External Auditors, in the absence of the Executive Directors and Management. For the year under review, there were two (2) dialogue sessions with the External Auditors held where there was an exchange of views in relation to the financial reporting of the Group and other issues that needed attention, if any.

#### **Part II – Risk Management and Internal Control Framework**

##### **9. Risk Management and Internal Control Framework**

The Board oversees reviews and monitors the operation, adequacy and effectiveness of the Group's system of internal controls. The Board defines the level of risk appetite, approving and overseeing the operation of the Group's Risk Management Framework, assessing its effectiveness and reviewing any major/significant risk facing the Group.

Details of the main features of the Company's risk management and internal controls framework are further elaborated in the Statement on Risk Management and Internal Control.

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)**

### **10. Governance, Risk Management and Internal Control Framework**

Relevant Internal Control Systems are implemented for the day to day operations of the Group. The Internal Audit Department has an independent reporting channel to the Audit Committee and is authorised to conduct independent audits of all the departments and offices within the Group and reports the findings to the Audit Committee at the end of each quarter.

The Audit Committee reviews, deliberates and decides on the next course of action and evaluates the effectiveness and efficiency of the Internal Control Systems in the organisation.

The Internal Control Systems are designed to manage and mitigate rather than eliminate the risk of failure in achieving the Group's corporate objectives and safeguarding the Group's assets as well as investors' interests.

### **Principle C : Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders**

#### **Part I – Communication with Stakeholders**

### **11. Continuous Communication Between company and Stakeholders**

The Board engage with the shareholders at least once a year during the AGM. The Chairman and the Board are responsible to respond and provide explanations on matters raised. The Board welcomes questions and feedback from the shareholders during and after the shareholders' meeting and ensures their queries are responded in a proper and systematic manner.

Information on the Group's activities is provided in the Annual Report and Financial Statements, which are dispatched to the shareholders. Dialogues are also held when necessary with investment analysts and fund managers to keep them abreast of corporate and financial developments. The Company also encourages all shareholders and investors to access online the Company's Annual Report and up to date announcements, which are made available at Bursa Securities' website and the Company's website at [www.harrisons.com.my](http://www.harrisons.com.my).

To ensure that the shareholders and the investors are well informed of major developments of the Company, information is disseminated to shareholders and investors through various disclosures and announcements made to Bursa Securities, which includes the quarterly financial results. The Board has identified Mr Foo Chow Luh as the Senior Independent Non-Executive Director to whom shareholders may convey their concerns to, whilst Mr Chan Poh Kim, Group MD has been designated as the Company's principal spokesperson with institutional investors, analysts, press and other interested parties.

In addition, the Board exercises close monitoring of all price sensitive information potentially required to be released to Bursa Securities and makes material announcements to Bursa Securities in a timely manner as required. In line with best practices, the Board strives to disclose price sensitive information to the public as soon as practicable through Bursa Securities, the media and the Company's website and that the confidential information should be handled properly to avoid leakage and improper use of such information.

Price sensitive information is defined as any information that on becoming generally available would tend to have a material effect on the market price of the Company's listed securities. The Company Secretaries are responsible to compile such information for the approval of the Board soonest possible and release such information to the market as stipulated by Bursa Securities.

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)**

Apart from the provisions relating to the “closed period” for dealing in the Company’s securities, the Directors and Senior Management privy to price sensitive information are prohibited from dealing in the securities of the Company until such information is publicly available.

The Company’s website provides all relevant corporate information and it is accessible by the public. The Company’s website includes share price information, all announcements made by the Company, Annual Reports, financial results, as well as the Board Charter of the Company.

Through the Company’s website, the stakeholders are able to direct queries to the Company.

### **Part II – Conduct of General Meetings**

#### **12. Shareholder Participation at General Meetings**

The AGM is the principal forum for dialogue and interaction with the shareholders of the Company. The Board is committed to provide the shareholders with comprehensive timely information about the Group’s activities and performance to enable investors make informed decisions. Shareholders are encouraged to attend AGM and use the opportunity to ask questions on resolutions being proposed during the meeting and also on the progress, performance and future prospects of the Company. The Chairman would ensure that shareholders were informed of their rights to demand a poll vote at the commencement of the AGM.

In compliance with the MMLR, all resolutions put forth for shareholders’ approval at the Twenty-Ninth (29th) Annual General Meeting to be held on 12 June 2019 are to be voted by way of poll voting.

The Company allows a shareholder to appoint a proxy who may not be a member of the Company. If the proxy is not a member of the Company, he/she need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia.

In an effort to encourage greater shareholders’ participation at the AGMs, which is in line with the MMLR of Bursa Securities, the Company had amended its Constitution to include explicitly the right of proxies to speak at general meetings. The Chairman would ensure that an open channel of communication is cultivated.

#### **Compliance Statement**

Following the launch of the MCCG 2017 in April 2017, the Company has undertaken gap analysis to identify the new corporate governance practices under the MCCG 2017 against the existing practices in the Company.

During the year under review, the Board directed its focus on the core duties of the Board which is grounded on the creation of long-term value for stakeholders. In light of the improvements in the corporate governance regulations, the Board has reviewed and updated its existing board charter, terms of references of the Board Committees, policies and procedures, etc.

Moving forward, the Board will continue to operationalise and improve the Company’s corporate governance practices and instil a risk and governance awareness culture and mindset throughout the organisation in the best interest of all stakeholders.

The Board is satisfied with the current composition of the Board by comprising three (3) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors and one (1) Executive Director and believed that the existing composition enable efficient corporate/board decisions to be made amongst the Board members.

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)**

The current Non-Independent Non-Executive Chairman, Mr Pandijono Adijanto @ Tan Hong Phang being the President of Bumi Raya Group, a major shareholder of the Company, is appropriate for the role with his abundant experience, strength and understanding of the businesses and industries to provide constructive advice and guidance to the Board and Management without compromising the balance of power and authority amongst the Board.

The Board is satisfied and assured that no individual or group of Directors has unfettered powers of decision that could create a potential conflict of interest. The Board has also demonstrated their independence and is free from any businesses or other relationships which may interfere with the exercise of their independent judgement.

This statement is made in accordance with the resolution of the Board dated 12 April 2019.



## OTHER DISCLOSURES

### ADDITIONAL COMPLIANCE INFORMATION

#### 1. UTILISATION OF PROCEEDS

There were no proceeds raised from any corporate exercise during the financial year.

#### 2. AUDIT AND NON-AUDIT FEES

The auditors' remuneration including non-audit fees for the Company and the Group for the financial year ended 31 December 2018 are as follows:-

<b>Details of Audit Fees</b>	<b>Group (RM'000)</b>	<b>Company (RM'000)</b>
- Statutory Audit Fees	720	180
- Audit Related Fees	60	5
<b>Total</b>	<b>780</b>	<b>185</b>

#### 3. MATERIAL CONTRACTS INVOLVING DIRECTORS OR CHIEF EXECUTIVE WHO IS NOT A DIRECTOR AND MAJOR SHAREHOLDERS' INTEREST

There were no material contracts entered into by the Company and its subsidiaries which involved the interest of Directors or Chief Executive who is not a Director or Major Shareholders subsisting at the end of the financial year ended 31 December 2018.

#### 4. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE ("RRPT")

There was no Shareholders' Mandate obtained in respect of RRPT during the financial year. However, details of transactions with related parties undertaken by the Group during the financial year are disclosed in Note 29 of the Financial Statements.

## **STATEMENT OF DIRECTORS' RESPONSIBILITY**

### **IN RESPECT OF THE PREPATION OF THE AUDITED FINANCIAL STATEMENTS**

The Directors are responsible to prepare the Audited Financial Statements which will give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results of the Group and of the Company for the financial year then ended.

In preparing those Audited Financial Statements, the Directors of the Company have:

- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for ensuring that proper accounting and other records are kept which enable the preparation of the financial statements with reasonable accuracy on the disclosure of the financial position of the Group and of the Company, and to enable them to ensure that the financial statements comply with the requirements of the Companies Act, 2016 and the Malaysian Financial Reporting Standards. The Directors are also responsible for taking reasonable steps to ensure that appropriate systems are in place to safeguard the assets of the Group and of the Company and hence, to prevent and detect fraud and other irregularities.

## **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL**

### **INTRODUCTION**

Paragraph 15.26(b) of the MMLR and Practices 9.1 and 9.2 of the Malaysian Code on Corporate Governance 2017 (“MCCG”) requires the Board of a listed company to include in its annual report a “Statement on Risk Management and Internal Control” of the Company as a Group for the financial year ended 31 December 2018.

### **BOARD RESPONSIBILITY**

The Board recognises the importance and is committed to maintain a sound system of internal control and effective risk management system within the Group and is responsible for reviewing its adequacy and effectiveness of the Group’s Risk Management and Internal Control Systems.

The Group’s systems of internal controls are designed to manage rather than to eliminate the risk of failure to achieve the business objectives. The Board continuously reviews the systems to ensure that the risk management and internal control systems provide a reasonable and not absolute assurance against material misstatement, loss or fraud.

The Board has via the Audit Committee obtained the necessary assurance on the adequacy and effectiveness of the Group’s Risk Management and Internal Control Systems.

### **RISK MANAGEMENT PROCESS**

The Group has an ongoing process for identifying, evaluating and managing key risks in the context of its business objectives. These processes are embedded within the Group’s overall business operations and are guided by operational manuals, policies and procedures and are regularly reviewed by the Board whom are guided by the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers”.

The main operating subsidiaries have their own respective Risk Working Committee, which comprises the senior managers for the critical functions of the Group. The respective Risk Working Committee meets quarterly where possible to:

- review and update the risk register; and
- assess the risk status and employ mitigation action plans when needed.

The main operating subsidiaries’ reports are submitted quarterly and reviewed by the Group MD and CFO and the significant risk, any changes and mitigation plans are highlighted and discussed at the Risk Management, Audit Committee and Board meetings.

The Enterprise Risk Management process comprises:

#### **(1) Risk Identification**

All potential events that could adversely impact the achievement of business objectives including failure to capitalise on opportunities identified.

#### **(2) Risk Evaluation**

The identified risks are then assessed and analysed to determine the impact on the relevant business strategies/objectives and whether the risks are likely to occur:

- Possibility of the risk occurring; and
- Impact of the consequences on the relevant business strategies/objectives, taking into consideration, the degree of internal control and risk management measures in place.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

The Risk Register documents all identified risks, evaluation of the risk and action plans to mitigate and monitor the risk.

<b>Possibility</b>	Low	Medium	High	
<b>Impact</b>	Insignificant	Moderate	Major	Very Significant

### (3) Risk Mitigation

Risk Owners, who comprise, the senior managers and heads of departments of the respective main subsidiaries, are responsible for identifying the risks and developing action plans to mitigate these risks.

### (4) Risk Monitoring

Ongoing monitoring of risk is conducted by each Risk Management Committee of the main subsidiaries quarterly to ascertain whether any conditions with a particular risk have changed and to ensure that actions and risk mitigation plans have been implemented. This is reported to the Audit Committee and Board quarterly.

### (5) Risk Review

The risks are periodically reviewed to ensure that the policies and objectives remain relevant and effective under changing market and regulatory environment.

## KEY RISKS

The Group views the following two risks as being prevalent in the trading and distribution business that may significantly impact the Group's results:

- loss of distribution agencies; and
- trade credit extended to customers

Steps to anticipate and mitigate these two key risks are an integral part of the Group Risk Management.

## INTERNAL CONTROL MATTERS

During the financial year, some other weaknesses in internal control processes were identified. However, these weaknesses were not considered material, and had not materially impacted the business or the operations of the Group. Nevertheless, measures have been taken or are being taken by the management to address these weaknesses.

## INTERNAL CONTROL PROCESS

The main features of the Group's Internal Control Systems established are summarised as follows:

- Organisation Structure

The Group maintains a defined organisation structure with clear lines of reporting and segregation of duties to ensure the Group achieves its strategies and objectives.

## **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)**

- **Authorisation Procedures**

The Group maintains a defined authority chart with clear authority limits and approval procedures. Delegation of authority including authorisation limits at various levels of management and those requiring Board's approval are documented and designed to ensure accountability and responsibility.

- **Human Resource Structure**

The Group adopts decentralised human resource functions that set out the procedures for recruitment, training and appraisal of the employees within the Group.

- **Standard Operating Procedures**

Documented standard operating policies and procedures are reviewed and updated, where applicable.

- **Periodic Management Meeting**

Regular meetings held at operational and management levels to identify and resolve operational and business matters. Deviation in targeted goals and corrective actions implemented where necessary are reported by the Heads of Department in the meetings.

- **Insurance and Physical Safeguard**

Adequate insurance and physical security of major assets are in place to ensure that the assets of the Group are sufficiently covered against any mishap that will result in material losses to the Group.

- **Budget and Performance Review**

A detailed budgeting process including a capital expenditure budget is completed for the year ahead and approved by the Board annually. Budgetary control for significant operations of the Group, where actual performance is closely monitored against budget to identify and address significant variances and enable corrective actions to be taken to improve the achievement towards the budgeted results and eventually the Group's business objectives as a whole. Significant variances against budget are followed up by the management and reported to the Board.

- **Financial Reporting Timeline**

Financial and operational reports are generated timely for management's review and action.

### **INTERNAL AUDIT**

The in-house Internal Audit function supports the Risk Management and Audit Committee and by extension, the Board, by providing reasonable independent appraisal of the adequacy and effectiveness of the internal control systems. The Internal Audit team concurrently plays a proactive role in facilitating operating companies in assessing their principal business risks and plans of actions to address these risks. The Internal Auditor's role is to provide independent and objective reports on the Group management's records, accounting policies and internal controls to management, Risk Management, Audit Committee and the Board. Upon completion of each audit, an internal audit report shall be generated and recommendations on weaknesses made are presented in the Risk Management or Audit Committee Meeting to assist the Audit Committee in discharging its duties and responsibilities.

## **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)**

The Internal Audit Department undertakes Internal Audit functions based on the audit plan that is reviewed and approved by the Audit Committee. The audit plan covers review of adequacy of operational controls, risk management compliance with laws and regulations, quality of assets and management efficiency amongst others.

### **REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS**

As required by Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the External Auditors to form an opinion on the adequacy and effectiveness of the Risk Management and Internal Control Systems of the Group.

### **BOARD ASSESSMENT**

The Board is of the view that the Group's overall Risk Management and Internal Control Systems is operating adequately and effectively and has received the same assurance from the Group MD and Chief Financial Officer. The assurance has been given based on the internal controls established and maintained by the Group, work performed and reports provided by the internal audit function, as well as reviews performed and confirmed by senior management.

The Board recognises the importance of maintaining a sound System of Risk Management and Internal Control and will continue to monitor all major risks affecting the Group and take the necessary measures to enhance adequacy and the effectiveness of the Risk Management and Internal Control System of the Group.

This Statement was reviewed by Audit Committee and approved by the Board on 12 April 2019.

## REPORT OF THE AUDIT COMMITTEE

The Board of Directors of Harrisons is pleased to present the Report of the Audit Committee for the financial year ended 31 December 2018.

### A. COMPOSITION OF THE AUDIT COMMITTEE

The composition of the Audit Committee complies with Paragraph 15.09 of the MMLR that all the Audit Committee members must be Non-Executive Directors, with a majority of them being independent directors.

As at the date of this Annual Report, the Audit Committee comprises the following Non-Executive Directors:-

No.	Name of Directors	Designation
1.	Mr Foo Chow Luh ( Chairman)	Senior Independent Non-Executive Director
2.	Mr Wong Yoke Kong (Member)	Independent Non-Executive Director
3.	Mr Chong Chee Fire (Member)	Independent Non-Executive Director

During the financial year, the Board, through the Nomination and Remuneration Committee has reviewed the term of office and assessed the performance of the Audit Committee. The Board is satisfied that the Audit Committee has discharged its duties in accordance with Terms of Reference.

### B. MEETINGS

During the financial year, a total of five (5) meetings were held, and the details of attendance of the Audit Committee members are as follows:-

	Directors	No. of meetings attended
1.	Mr Foo Chow Luh	5/5
2.	Mr Wong Yoke Kong	5/5
3.	Mr Chong Chee Fire	5/5

### C. SUMMARY OF WORKS OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR

The works carried out by the Audit Committee in discharging its duties and functions with respect to their responsibilities during the financial year were summarised as follows:

#### Financial Reporting

The Audit Committee reviewed the quarterly and annual financial statements required by Bursa Securities with the management prior to making recommendation for the Board's approval. The review focused on changes in accounting policies and practices, major judgemental and risk areas, significant adjustments resulting from the audit, the going concern assumption, compliance with accounting standards, compliance with the MMLR and other legal requirements.

The Audit Committee keeps itself apprised of changes in accounting policies and guidelines through regular updates by the External Auditors.

## **REPORT OF THE AUDIT COMMITTEE (CONTINUED)**

### **External Audit**

The Audit Committee has discussed with the External Auditors the audit plan and scope of work for the Group, and the report on the audit of the year-end financial statements; reviewed audit findings and reservations arising from the audits, significant accounting issues and any matter the External Auditors may wish to discuss; reviewed the External Auditors' management letter and management's responses thereto; and reviewed the External Auditors' objectivity and independence.

Significant matters requiring follow-up were highlighted for the reports by the external auditors to the Committee. In accordance with International Standards on Auditing, key audit matters which in the opinion of the external auditors were of most significance in their audit of the annual financial statements were brought to the attention of the Committee and highlighted and addressed by the external auditors in their report.

In assessing independence, the Audit Committee has reviewed the fees and expenses paid to the External Auditors during the year. The Audit Committee is of the opinion that the auditors' independence has not been compromised based on the confirmation provided by the External Auditors.

At least twice a year, the Audit Committee shall meet with the External Auditors without the presence of any Executive Directors and management.

### **Internal Audit**

The Audit Committee has reviewed with the internal auditors the internal audit reports and monitored/ followed-up on the remedial action; reviewed the corrective actions taken by management in addressing and resolving issues as well as ensuring that all key issues were adequately address on timely basis; and ensured the adequacy of the independence, competency and resource sufficiency of the outsourced internal audit function.

### **Related Party Transactions**

The Audit Committee has reviewed the potential related party transaction and any conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

### **Others**

The Audit Committee has full access to and co-operation from the management. The Audit Committee also has full discretion to invite any Director or management to attend its meetings and has been given adequate resources to discharge its functions.

The Audit Committee has reviewed the Statement on Risk Management and Internal Control and Audit Committee Report in accordance with the MMLR and Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuer, for inclusion into the Annual Report.

## **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

The Terms of Reference of the Audit Committee, which outlines the composition, proceeding of meeting, authority and duties and responsibilities, is available on the Company's website.



## **REPORT OF THE AUDIT COMMITTEE (CONTINUED)**

### **D. INTERNAL AUDIT FUNCTION**

The Internal Audit Department undertakes Internal Audit function based on the audit plan that is reviewed and approved by the Audit Committee. The audit plan covers review of adequacy of operational controls, risk management compliance with laws and regulations, quality of assets and management efficiency amongst others.

A summary of the works carried out by the internal auditors for the financial year are as follows:

- Conducted financial due diligence audit on the acquisition of Watts Harrisons Sdn. Bhd., which engages in retail and wholesale Komonoya brand products.
- Reviewed the compliance controls, policies and procedures adopted for ensuring the compliance of Goods and Services Tax ("GST") in several key branches and conducted first time GST review in smaller branches and ensuring its completeness and timely final submissions of GST-03 Return.
- Audited the application of service tax on certain taxable services where some of the subsidiaries acted as registered Customs Agent for Cargo clearance and reviewed the necessary documentation services.
- Audited the risk management and assurance report submitted to the Risk Management Committee to ensure significant risks are identified, assessed and managed with effective control activities and periodically updated.
- Conducted quarterly follow up review on certain branches for sales controls and overdue debtors status to improve the credit sales control and collection procedures.

The cost incurred by the Internal Audit Department for the financial year is about RM578,609.

## **DIRECTORS' REPORT**

The Directors are pleased to submit their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

### **DIRECTORS**

The Directors in office during the financial year and during the period from the end of the financial year to date of the report are:

Pandjijono Adijanto @ Tan Hong Phang  
Chan Poh Kim  
Mariana Adijanto @ Tan Phwe Leng  
Wong Yoke Kong  
Foo Chow Luh  
Chong Chee Fire

In accordance with Article 76 of the Company's Articles of Association, Mariana Adijanto @ Tan Phwe Leng and Foo Chow Luh shall retire from the Board by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-election.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding.

The principal activities of the Group consist of marketing, sales and distribution of building materials, industrial and agricultural chemical products, liquor products, consumer goods, engineering and the operation of retail, shipping, insurance and travel agencies. Details of the principal activities of the subsidiaries are shown in Note 18 to the financial statements.

There has been no significant change in the nature of the principal activities of the Group and of the Company during the financial year, other than as disclosed in the financial statements.

### **FINANCIAL RESULTS**

	<u>Group</u> RM'000	<u>Company</u> RM'000
Profit for the financial year	<u>22,073</u>	<u>13,462</u>

### **RESERVES AND PROVISIONS**

There were no material transfers to or from reserves and provisions during the financial year.

### **ISSUE OF SHARES AND DEBENTURES**

The Company has not issued any shares or debentures for the financial year ended 31 December 2018.

## **DIRECTORS' REPORT**

### **(CONTINUED)**

#### **DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' remuneration disclosed in Note 9 to the financial statements) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except that certain Directors may be deemed to have derived benefits by virtue of transactions conducted in the normal course of business between the companies in the Group and companies in which these Directors are deemed to have an interest (see Note 29 to the financial statements).

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

#### **DIVIDEND**

Dividend declared and paid by the Company since the end of the previous financial year was as follows:

	RM'000
In respect of the financial year ended 31 December 2017, final single tier dividend of RM0.20 per ordinary share paid on 13 July 2018	<u>13,695</u>

The Directors recommend the payment of a final single-tier dividend of RM0.20 per share, amounting to net dividend payment of RM13.7 million in respect of the financial year ended 31 December 2018, subject to the approval of the members at the forthcoming Annual General meeting of the Company.

#### **DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries during the financial year except as follows:

	<u>Number of ordinary shares in the Company</u>			
	At <u>1.1.2018</u>	<u>Acquired</u>	<u>Disposed</u>	At <u>31.12.2018</u>
Pandjijono Adijanto @ Tan Hong Phang	89,000	-	-	89,000
Chan Poh Kim	9,000	-	-	9,000
Mariana Adijanto @ Tan Phwe Leng	9,000	-	-	9,000
Wong Yoke Kong	169,000	-	-	169,000
Foo Chow Luh	154,000	-	-	154,000
Chong Chee Fire	150,000	-	-	150,000

## **DIRECTORS' REPORT (CONTINUED)**

### **DIRECTORS' REMUNERATION**

Details of Directors' remuneration are set out in Note 9 to the financial statements.

### **INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS**

The Company maintains a liability insurance for the Directors and Officers of the Group throughout the financial year, which provides appropriate insurance cover for the Directors and Officers of the Group. The total amount of any indemnity cover given by the Company to Directors against damages in the discharge of their duties is RM7.5 million collectively for all Directors. The amount of premium paid by the Company for all the Directors is RM80,750 in 2018.

### **DIRECTORS OF THE SUBSIDIARIES**

Pursuant to Section 253 of the Companies Act, 2016, the list of Directors of the subsidiaries during the financial year and up to the date of this report and statement is as follows:

Ang Lian Wal	Lim Hong Chin
Bay Boon Hong	Lim Yong Keong
Chan Jun Hao, David	Low Kong Choon
Chang Kon Sang	Lo Chow Nyian
Danny Lo Tuong Ming	Spencer Ho Kwang Beng
Frederick Kong Fui Min	Tee Chee Chiang
Ho Gee Leng	Shaik Esa Bin Taha Mattar

### **OTHER STATUTORY INFORMATION**

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

## **DIRECTORS' REPORT (CONTINUED)**

### **OTHER STATUTORY INFORMATION (CONTINUED)**

- (c) At the date of this report:
- (i) there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and
  - (ii) there are no contingent liabilities in the Group and in the Company which have arisen since the end of the financial year.
- (d) No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company and its subsidiaries to meet their obligations when they fall due.
- (e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the Directors:
- (i) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
  - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

### **SUBSIDIARIES**

Details of the subsidiaries and the subsidiaries' holding of shares in other related corporations are set out in Note 18 to the financial statements.

### **AUDITORS' REMUNERATION**

Details of auditors' remuneration are set out in Note 8 to the financial statements.

### **AUDITORS**

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.



## **DIRECTORS' REPORT** (CONTINUED)

### **AUDITORS (CONTINUED)**

This report was approved by the Board of Directors on 12 April 2019. Signed on behalf of the Board of Directors:

CHAN POH KIM  
DIRECTOR

WONG YOKE KONG  
DIRECTOR

## **STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Chan Poh Kim and Wong Yoke Kong, two of the Directors of Harrisons Holdings (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 61 to 141 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance of the Group and of the Company for the financial year ended 31 December 2018 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 12 April 2019.

CHAN POH KIM  
DIRECTOR

WONG YOKE KONG  
DIRECTOR

## **STATUTORY DECLARATION PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016**

I, Low Kong Choon (MIA No. 6635), being the Officer primarily responsible for the financial management of Harrisons Holdings (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 61 to 141 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

LOW KONG CHOON

Subscribed and solemnly declared by the abovenamed Low Kong Choon at Selangor Darul Ehsan on 12 April 2019, before me.

GURDEEP SINGH A/L JAG SINGH  
COMMISSIONER FOR OATHS  
W607

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARRISONS HOLDINGS (MALAYSIA) BERHAD**

(INCORPORATED IN MALAYSIA)  
(COMPANY NO. 194675 H)

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### Our opinion

In our opinion, the financial statements of Harrisons Holdings (Malaysia) Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

#### What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position of the Group and of the Company as at 31 December 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 61 to 141.

#### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.





## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARRISONS HOLDINGS (MALAYSIA) BERHAD (CONTINUED)**

(INCORPORATED IN MALAYSIA)

(COMPANY NO. 194675 H)

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

#### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of Group and the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

#### Key audit matters

Key audit matters are the matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARRISONS HOLDINGS (MALAYSIA) BERHAD (CONTINUED)

(INCORPORATED IN MALAYSIA)

(COMPANY NO. 194675 H)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Key audit matters (continued)

<b>Key audit matter (Consolidated financial statements)</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Provision for obsolescence of inventories</b></p> <p><i>Refer to Note 3(j) - Summary of significant accounting policies for inventories, Note 4(b) - Critical accounting estimates and judgements on provision for obsolescence of inventories and Note 21 – Inventories.</i></p> <p>As at 31 December 2018, the Group has inventory balance of RM221.4 million, net of provision for obsolescence of inventories of RM8.8 million.</p> <p>The provision for obsolescence of inventories computed by management is based on percentages applied on the inventories' ageing band and the category of inventories. These rates require significant judgement.</p> <p>We focused on this area because of the nature of the judgement made by management when assessing the level of provisions required.</p>	<p>Our audit procedures on the testing of the provision for obsolescence of inventories were as follows:</p> <ul style="list-style-type: none"> <li>• We used historical data of slow moving and obsolete inventories to independently estimate the rate of provision for obsolescence of inventories; and</li> <li>• We compared our independently computed estimated rate of provision for obsolescence of inventories for each ageing band of each category of inventories with the rate of allowance applied by management to determine the reasonableness of the allowance made.</li> </ul> <p>Based on the audit procedures performed, no exceptions were noted.</p>

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARRISONS HOLDINGS (MALAYSIA) BERHAD (CONTINUED)**

(INCORPORATED IN MALAYSIA)  
(COMPANY NO. 194675 H)

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

### Key audit matters (continued)

<b>Key audit matter (Consolidated financial statements)</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Impairment of trade receivables</b></p> <p><i>Refer to Note 3(e) – Summary of significant accounting policies for impairment of trade and other receivables, Note 4(c) - Critical accounting estimates and judgements on loss allowance for trade receivables and Note 22 – Trade and other receivables.</i></p> <p>As at 31 December 2018, the Group has trade receivables balance of RM292.7 million, net of impairment of trade receivables of RM39.2 million.</p> <p>The impairment of trade receivables computed by management is based on the expected loss rates of each ageing band of trade receivables. Significant judgement and estimates are required in determining the loss rates to be applied to each ageing band of the trade receivables.</p> <p>We focus on this area because of the nature of the judgement made by management in deriving the estimates when assessing the level of impairment required.</p>	<p>Our audit procedures on the testing of the impairment of trade receivables were as follows:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of and evaluated management's grouping of trade receivables based on shared credit risk characteristics and days past due;</li> <li>• We used historical payment profiles of sales and the corresponding historical credit losses experienced in the historical periods to independently estimate the rate of impairment of trade receivables; and</li> <li>• We compared our estimated rate of impairment of trade receivables in each age bracket for each category of trade receivables with the rate of impairment applied by management to determine the reasonableness of the impairment made.</li> </ul> <p>Based on the audit procedures performed, no exceptions were noted.</p>

There are no key audit matters in relation to the financial statements of the Company.

### Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprise Chairman's Statement, Management Discussion and Analysis, Corporate Governance Overview Statement, Other Disclosures, Statement of Directors' Responsibility, Statement on Risk Management and Internal Control, Report of the Audit Committee and Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARRISONS HOLDINGS (MALAYSIA) BERHAD (CONTINUED)**

(INCORPORATED IN MALAYSIA)  
(COMPANY NO. 194675 H)

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

#### Information other than the financial statements and auditors' report thereon (continued)

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARRISONS HOLDINGS (MALAYSIA) BERHAD (CONTINUED)**

(INCORPORATED IN MALAYSIA)  
(COMPANY NO. 194675 H)

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

#### Auditors' responsibilities for the audit of the financial statements (continued)

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARRISONS HOLDINGS (MALAYSIA) BERHAD (CONTINUED)**

(INCORPORATED IN MALAYSIA)  
(COMPANY NO. 194675 H)

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

#### Auditors' responsibilities for the audit of the financial statements (continued)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 18 to the financial statements.

### **OTHER MATTERS**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

HEW CHOOI YOKE  
03203/07/2019 J  
Chartered Accountant

Kuala Lumpur  
12 April 2019

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	6	<b>1,651,428</b>	1,550,954	<b>17,476</b>	31,904
Cost of sales		<b>(1,484,083)</b>	(1,404,085)	-	-
Gross profit		<b>167,345</b>	146,869	<b>17,476</b>	31,904
Other operating income		<b>9,001</b>	4,652	<b>706</b>	1,841
Selling and distribution costs		<b>(17,639)</b>	(15,069)	-	-
Administrative expenses		<b>(117,413)</b>	(100,709)	<b>(3,028)</b>	(2,826)
Other operating expenses		<b>(2,616)</b>	(1,796)	<b>(1,491)</b>	(442)
Finance costs	7	<b>(7,021)</b>	(5,930)	-	-
Profit before taxation	8	<b>31,657</b>	28,017	<b>13,663</b>	30,477
Taxation	10	<b>(9,584)</b>	(6,480)	<b>(201)</b>	(76)
Profit for the financial year		<b>22,073</b>	21,537	<b>13,462</b>	30,401
Other comprehensive income/(loss):					
<u>Item that may be reclassified to profit or loss</u>					
Change in fair value of available-for-sale financial assets		-	1,258	-	1,325
Transfer of fair value reserve on disposal of available-for-sale financial assets		-	(1,095)	-	(1,095)
Change in fair value of financial assets at FVOCI		<b>(892)</b>	-	<b>(804)</b>	-
Transfer of fair value reserve on disposal of financial assets at FVOCI		<b>188</b>	-	<b>188</b>	-
Currency translation differences		<b>113</b>	-	-	-
Total comprehensive income for the financial year		<b>21,482</b>	21,700	<b>12,846</b>	30,631
Profit/(Loss) attributable to:					
- Owners of the Company		<b>21,775</b>	21,591	<b>13,462</b>	30,401
- Non-controlling interests		<b>298</b>	(54)	-	-
		<b>22,073</b>	21,537	<b>13,462</b>	30,401
Total comprehensive income/(loss) attributable to:					
- Owners of the Company		<b>21,133</b>	21,754	<b>12,846</b>	30,631
- Non-controlling interests		<b>349</b>	(54)	-	-
		<b>21,482</b>	21,700	<b>12,846</b>	30,631
Earnings per share (sen)					
- Basic and diluted	11	<b>31.80</b>	31.53		

## STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	Group		Company	
		<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	13	<b>48,682</b>	41,342	<b>823</b>	1,339
Investment properties	14	<b>1,812</b>	1,847	-	-
Available-for-sale financial assets	15	-	27,954	-	27,372
Financial assets at FVOCI	16	<b>3,974</b>	-	<b>3,746</b>	-
Subsidiaries	18	-	-	<b>57,597</b>	57,597
Goodwill	18(b)	<b>3,559</b>	-	-	-
Deferred tax assets	20	<b>5,162</b>	5,979	<b>50</b>	216
		<b>63,189</b>	77,122	<b>62,216</b>	86,524
<b>CURRENT ASSETS</b>					
Inventories	21	<b>221,419</b>	178,624	-	-
Trade and other receivables	22	<b>313,759</b>	307,026	<b>9,493</b>	9,628
Financial assets at FVTPL	17	<b>22,737</b>	-	<b>22,552</b>	-
Tax recoverable		<b>4,448</b>	4,967	<b>90</b>	-
Deposits, cash and bank balances	23	<b>86,749</b>	94,817	<b>19,153</b>	18,180
		<b>649,112</b>	585,434	<b>51,288</b>	27,808
<b>CURRENT LIABILITIES</b>					
Trade and other payables	24	<b>192,349</b>	168,923	<b>753</b>	691
Tax payable		<b>712</b>	65	-	41
Borrowings	25	<b>205,240</b>	187,878	-	-
		<b>398,301</b>	356,866	<b>753</b>	732
<b>NET CURRENT ASSETS</b>		<b>250,811</b>	228,568	<b>50,535</b>	27,076
<b>NON-CURRENT LIABILITY</b>					
Deferred tax liabilities	20	<b>1,143</b>	678	-	-
		<b>312,857</b>	305,012	<b>112,751</b>	113,600



## STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (CONTINUED)

		<u>Group</u>		<u>Company</u>	
	<u>Note</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
		RM'000	RM'000	RM'000	RM'000
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	26	<b>68,523</b>	68,523	<b>68,523</b>	68,523
Treasury shares	26	<b>(18)</b>	(18)	<b>(18)</b>	(18)
Other reserves		<b>568</b>	3,134	<b>503</b>	3,039
Retained earnings		<b>238,467</b>	233,373	<b>43,743</b>	42,056
		<b>307,540</b>	305,012	<b>112,751</b>	113,600
Non-controlling interests		<b>5,317</b>	-	-	-
		<b>312,857</b>	305,012	<b>112,751</b>	113,600

# STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Note	Attributable to equity holders of the Company						
		Share capital RM'000	Treasury shares RM'000	Currency translation difference RM'000	Available-for-sale financial assets reserve RM'000	FVOCI reserve RM'000	Retained earnings RM'000	Non-controlling interest RM'000
At 1 January 2018, as previously stated		68,523	(18)	-	3,134	-	233,373	-
Effect on adoption of MFRS 9 *		-	-	-	(3,134)	1,210	(2,986)	-
At 1 January 2018, restated		68,523	(18)	-	-	1,210	230,387	-
Profit for the financial year		-	-	-	-	-	21,775	298
Other comprehensive income:								
- Fair value changes of financial assets at FVOCI		-	-	-	-	(704)	-	-
- Currency translation differences		-	-	62	-	-	-	51
Total comprehensive income for the financial year		-	-	62	-	(704)	21,775	349
Transaction with owners:								
- Non-controlling interest from acquisition and incorporation of subsidiaries	18	-	-	-	-	-	-	4,968
- Dividends	12	-	-	-	-	-	(13,695)	-
At 31 December 2018		68,523	(18)	62	-	506	238,467	5,317
							307,540	312,857

\* Refer to Notes 2(a), 15, 16, 17 and 22 for details regarding the restatement as a result of a change in accounting policies.

# STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	Attributable to equity holders of the Company						
		Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Available-for-sale financial assets RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000
At 1 January 2017		68,489	(18)	34	2,971	228,901	300,377	54
Profit for the financial year		-	-	-	-	21,591	21,591	(54)
Other comprehensive income:								
- Transition to no-par value regime on 31 January 2017	26	34	-	(34)	-	-	-	-
- Fair value changes of available-for-sale financial assets		-	-	-	163	-	163	-
Total comprehensive income for the financial year		34	-	(34)	163	21,591	21,754	(54)
Transaction with owners:								
- Dividends	12	-	-	-	-	(17,119)	(17,119)	-
At 31 December 2017		68,523	(18)	-	3,134	233,373	305,012	-

# STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Company	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Non-distributable			Total RM'000
					Available-for-sale financial assets reserve RM'000	FVOCI reserve RM'000	Retained earnings RM'000	
At 1 January 2018, as previously stated		68,523	(18)	-	3,039	-	42,056	113,600
Effect on adoption of MFRS 9 *		-	-	-	(3,039)	1,119	1,920	-
At 1 January 2018, restated		68,523	(18)	-	-	1,119	43,976	113,600
Profit for the financial year		-	-	-	-	-	13,462	13,462
Other comprehensive loss								
- Fair value changes of financial assets at FVOCI		-	-	-	-	(616)	-	(616)
Total comprehensive income for the financial year		-	-	-	-	(616)	13,462	12,846
Transaction with owners:								
- Dividends	12	-	-	-	-	-	(13,695)	(13,695)
At 31 December 2018		68,523	(18)	-	-	503	43,743	112,751

\* Refer to Notes 2(a), 15, 16 and 17 for details regarding the restatement as a result of a change in accounting policies.

# STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Company	Note	Non-distributable				Distributable	
		Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Available-for-sale financial assets reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2017		68,489	(18)	34	2,809	28,774	100,088
Profit for the financial year		-	-	-	-	30,401	30,401
Other comprehensive income							
- transition to no-par value regime on 31 January 2017		34	-	(34)	-	-	-
- Fair value changes of available-for-sale financial assets		-	-	-	230	-	230
Total comprehensive income for the financial year		34	-	(34)	230	30,401	30,631
Transaction with owners:							
- Dividends	12	-	-	-	-	(17,119)	(17,119)
At 31 December 2017		68,523	(18)	-	3,039	42,056	113,600

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
		RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit for the financial year		<b>22,073</b>	21,537	<b>13,462</b>	30,401
Adjustments for non-cash items:					
(Reversal)/Impairment for:					
- trade and other receivables (net)		<b>(1,040)</b>	5,123	-	-
- amount due from an associate		<b>34</b>	429	-	-
Provision/(Reversal) for obsolescence of inventories		<b>348</b>	(1,426)	-	-
Inventories written off		<b>3,029</b>	4,371	-	-
Property, plant and equipment:					
- depreciation		<b>4,928</b>	4,536	<b>516</b>	452
- (gain)/loss on disposal		<b>(195)</b>	93	-	-
- written off		<b>47</b>	-	-	-
- impairment loss		-	693	-	-
Depreciation of investment properties		<b>35</b>	35	-	-
Negative goodwill from acquisition of a subsidiary	18	<b>(680)</b>	-	-	-
Loss/(Gain) on disposal of financial assets:					
- available-for-sale financial assets		-	(1,095)	-	(1,095)
- financial assets at FVOCI		<b>188</b>	-	<b>188</b>	-
- financial assets at FVTPL		<b>(12)</b>	-	<b>(14)</b>	-
Fair value loss on financial assets at FVTPL		<b>1,337</b>	-	<b>1,325</b>	-
Unrealised foreign exchange (gain)/loss		<b>(31)</b>	442	<b>(31)</b>	442
Dividend income (gross)		<b>(1,205)</b>	(825)	<b>(17,476)</b>	(31,904)
Interest income		<b>(1,421)</b>	(1,597)	<b>(557)</b>	(565)
Interest expense		<b>7,021</b>	5,930	-	-
Tax expense		<b>9,584</b>	6,480	<b>201</b>	76
Reversal of legal claim		<b>(3,088)</b>	-	-	-
		<b>40,952</b>	44,726	<b>(2,386)</b>	(2,193)
Working capital changes:					
Inventories		<b>(42,970)</b>	(13,491)	-	-
Trade and other receivables		<b>(7,855)</b>	(21,125)	<b>610</b>	1,385
Trade and other payables		<b>19,376</b>	(41,308)	<b>62</b>	64
		<b>9,503</b>	(31,198)	<b>(1,714)</b>	(744)
Tax paid		<b>(7,635)</b>	(7,693)	<b>(166)</b>	(194)
Interest received		<b>1,421</b>	1,597	<b>113</b>	565
Net cash generated from/(used in) operating activities		<b>3,289</b>	(37,294)	<b>(1,767)</b>	(373)

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

(CONTINUED)

	Note	<u>Group</u> <u>2018</u> RM'000	<u>2017</u> RM'000	<u>Company</u> <u>2018</u> RM'000	<u>2017</u> RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(4,953)	(6,780)	-	(328)
Proceeds from disposal of property, plant and equipment		320	258	-	-
Dividends received		1,205	825	976	794
Advances to subsidiaries		-	-	-	(115)
Proceeds from sale of					
- available-for-sale financial assets		-	43,192	-	10,917
- financial assets at FVOCI		2,115	-	2,115	-
- financial assets at FVTPL		14,219	-	42	-
Purchase of available-for-sale financial assets		-	(53,468)	-	(21,066)
Purchase of financial assets at FVOCI		(1,537)	-	(1,537)	-
Purchase of financial assets at FVTPL		(15,771)	-	(1,661)	-
Dividends received from subsidiaries		-	-	16,500	31,110
Acquisition of subsidiaries	18	(8,245)	-	-	-
Net cash (used in)/generated from investing activities		(12,647)	(15,973)	16,435	21,312
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Interest paid		(7,021)	(5,930)	-	-
Drawdown of bankers' acceptances (net)		17,302	58,114	-	-
Drawdown/(Repayment) of revolving credit		4,160	(4,000)	-	-
Dividends paid		(13,695)	(17,119)	(13,695)	(17,119)
Capital contribution by non-controlling interests		4,531	-	-	-
Net cash generated from/(used in) financing activities		5,277	31,065	(13,695)	(17,119)

# **STATEMENTS OF CASH FLOWS** **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018** **(CONTINUED)**

	Note	<u>Group</u> <u>2018</u> RM'000	<u>2017</u> RM'000	<u>Company</u> <u>2018</u> RM'000	<u>2017</u> RM'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		<b>(4,081)</b>	(22,202)	<b>973</b>	3,820
TRANSLATION RESERVES		<b>113</b>	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		<u><b>90,321</b></u>	<u>112,523</u>	<u><b>18,180</b></u>	<u>14,360</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	23	<u><b>86,353</b></u>	<u>90,321</u>	<u><b>19,153</b></u>	<u>18,180</u>



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

### **1. GENERAL INFORMATION**

The principal activity of the Company is investment holding. The principal activities of the Group consist of marketing, sales and distribution of building materials, industrial and agricultural chemical products, liquor products, consumer goods, engineering and the operation of retail, shipping, insurance and travel agencies. Details of the principal activities of the subsidiaries are shown in Note 18 to the financial statements.

There has been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year, other than disclosed in the financial statements.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad.

The address of the registered office of the Company is:

10<sup>th</sup> Floor Menara Hap Seng  
No. 1 & 3 Jalan P. Ramlee  
50250 Kuala Lumpur

The principal place of business of the Company is:

Unit 9A, 9<sup>th</sup> Floor  
Wisma Bumi Raya  
10, Jalan Raja Laut  
50350, Kuala Lumpur

### **2. BASIS OF PREPARATION**

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

The Group's and the Company's financial statements have been prepared under the historical cost convention, except as disclosed in this summary of significant accounting policies below.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **2. BASIS OF PREPARATION (CONTINUED)**

- (a) Standards, amendments to published standards and interpretation that are effective (continued)

The Group and the Company have applied the following standards, interpretations, and amendments to the existing standards for the first time for the financial year beginning on 1 January 2018:

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'
- Amendments to MFRS 140 'Investment Property - Transfers of Investment Property'
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'
- Annual Improvements to MFRSs 2014 - 2016 Cycle: MFRS 128 'Investments in Associates and Joint Ventures'

The Group and the Company have adopted MFRS 9 and MFRS 15 for the first time in the 2018 financial statements, which resulted in changes in accounting policies.

Other than the above, the adoption of other amendments and interpretations listed above did not have any financial impact on the current period or any prior period and is not likely to affect future periods.

#### MFRS 9: Comparative information not restated

The Group and the Company have applied MFRS 9 retrospectively with the date of initial application of 1 January 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2017 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 2. BASIS OF PREPARATION (CONTINUED)

- (a) Standards, amendments to published standards and interpretation that are effective (continued)

#### MFRS 9: Comparative information not restated (continued)

The detailed impact of MFRS 9's change in accounting policies are set out in Notes 15, 16, 17 and 22. The measurement category and the carrying amount of financial assets in accordance with MFRS 139 and MFRS 9 at 1 January 2018 are compared as follows:

Financial assets	Original measurement - MFRS 139	New measurement - MFRS 9	At 1 January 2018 - MFRS 139 RM'000	Reclassification RM'000	Remeasurement RM'000	At 1 January 2018 - MFRS 9 RM'000
<u>Group</u>						
Investment in debt securities	AFS		23,118	(23,118)	-	-
Investment in debt securities		FVTPL	-	23,118	-	23,118
Investment in equity securities	AFS		4,836	(4,836)	-	-
Investment in equity securities		FVOCI	-	4,836	-	4,836
Trade receivables	Amortised cost	Amortised cost	292,425	-	(4,910)	287,515
<u>Company</u>						
Investment in debt securities	AFS		22,859	(22,859)	-	-
Investment in debt securities		FVTPL	-	22,859	-	22,859
Investment in equity securities	AFS		4,513	(4,513)	-	-
Investment in equity securities		FVOCI	-	4,513	-	4,513

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **2. BASIS OF PREPARATION (CONTINUED)**

- (b) Standards, amendments to published standards and interpretation that are effective (continued)

	<u>Group</u> RM'000	<u>Company</u> RM'000
<u>Retained earnings reconciliation</u>		
Opening balances at 31 December 2017, as previously stated	233,373	42,056
<u>Impacts of adoption of MFRS 9</u>		
Reclassification of investments in debt securities from AFS to FVTPL	1,924	1,920
Increase in loss allowance for trade receivables that do not contain significant financing components	(4,910)	-
Opening balance at 1 January 2018, restated	<u>230,387</u>	<u>43,976</u>

#### MFRS 15: Full retrospective transition method

The Group and the Company have applied MFRS by using the full retrospective transition method. Under the full retrospective transition method, the Group and the Company apply practical expedient to contracts that began and completed on 1 January 2017. Accordingly, contracts that were completed as at 1 January 2017 were not restated and continued to be reported under the previous accounting policies governed under MFRS 118 and MFRS 111.

The adoption of MFRS 15's change in accounting policies did not have any material impact on the comparative financial information and the current year's financial results of the Group and the Company.

- (b) Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2018. None of these is expected to have a significant effect on the financial statements of the Group and of the Company, except for the following set out below:

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **2. BASIS OF PREPARATION (CONTINUED)**

- (b) Standards and amendments that have been issued but not yet effective (continued)

The Group and the Company will apply the standard from its mandatory adoption date of 1 January 2019. The Group and the Company intend to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use of assets for property leases will be measured on transition as if the new rules had always been applied. Based on the assessment undertaken to-date, the adoption of this standard would have impact on the Group's and the Company's financial position with the recognition of right-of-use assets and lease liabilities. As at the reporting date, the management is still assessing the impact from the initial application of MFRS 16.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

IC Interpretation 23 will be applied retrospectively.

- Amendments to MFRS 9 'Prepayment features with negative compensation' (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

The amendments will be applied retrospectively.

- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' (effective from 1 January 2019) clarify that an entity should apply MFRS 9 'Financial Instruments' (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128.

The amendments shall be applied retrospectively.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **2. BASIS OF PREPARATION (CONTINUED)**

(b) Standards and amendments that have been issued but not yet effective (continued)

- Annual Improvements to MFRSs 2015 – 2017 Cycle:
  - Amendments to MFRS 3 'Business Combination' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.
  - Amendments to MFRS 11 'Joint Arrangements' (effective from 1 January 2019) clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.
  - Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.
  - Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.
- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) clarify that to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

The amendments shall be applied prospectively.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **2. BASIS OF PREPARATION (CONTINUED)**

- (b) Standards and amendments that have been issued but not yet effective (continued)

Other than the expected financial impact arising from the adoption of MFRS 16, the other standards and amendments are not expected to result in a significant financial impact to the Group and the Company.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements unless otherwise stated.

- (a) Consolidation

#### Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(a) Consolidation (continued)**

##### Subsidiaries (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position.

##### Change in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

##### Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(a) Consolidation (continued)**

##### Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Gains or losses arising from the Group's dilution or disposal in the investments in associates are recognised in profit or loss.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(b) Investments in subsidiaries and associates in separate financial statements

In the Company's separate financial statements, investments in subsidiaries and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries and associates, the difference between the disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in the subsidiaries.

(c) Property, plant and equipment

Property, plant and equipment are initially stated at cost. All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price, import duties, non-refundable taxes and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Costs also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy Note 3(o) on borrowing costs).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial year in which they are incurred.

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amounts and are included in other operating income and expenses in profit or loss.

Freehold land is not depreciated as it has an infinite life. Depreciation on assets under construction commences when the assets are ready for their intended use.

Other property, plant and equipment are depreciated on the straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives as summarised below:

Buildings	50 years
Motor vehicles	5 years
Furniture, fittings and equipment	3 years to 10 years

Leasehold land is amortised over the lease term ranging from 99 to 999 years.

Residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

At the end of each reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 3(e)(i) on impairment of non-financial assets.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(d) Investment properties

Investment properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment property is measured initially at its cost, including professional fees for legal services, property transfer taxes, other transaction costs and borrowing costs if the investment property meets the definition of a qualifying asset.

After initial recognition, investment property is stated at cost less any accumulated depreciation and impairment losses. Investment property is depreciated on the straight-line basis to allocate the cost to their residual values over their estimated useful lives of 50 to 99 years.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is de-recognised.

Investment property is de-recognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Gains or losses on disposals are determined by comparing the net disposal proceeds with the carrying amount and are included in profit or loss.

At the end of each reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 3(e)(i) on impairment of non-financial assets.

(e) Impairment of assets

(i) Non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss, and any subsequent increase in recoverable amount is recognised in profit or loss.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(e) Impairment of assets (continued)**

##### Accounting policies applied from 1 January 2018 (continued)

#### **(ii) Impairment for debts instruments**

The Group and the Company have three types of financial instruments that are subject to the ECL model:

- Trade receivables from goods sold or services performed
- Other receivables
- Amounts due from subsidiaries

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

##### Simplified approach for trade receivables

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Note 30(iv)(b) sets out the measurement details of ECL.

##### General 3-stage approach for other receivables and amounts due from subsidiaries

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 month ECL if the credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is not required. Note 30(iv)(b) sets out the measurement details of ECL.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(e) Impairment of assets (continued)

Accounting policies applied from 1 January 2018 (continued)

(iii) Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

(iv) Definition of default and credit impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets the following criteria:

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants;
- concessions have been made by the lender relating to the debtor's financial difficulty;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- the debtor is insolvent.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(e) Impairment of assets (continued)

Accounting policies applied from 1 January 2018 (continued)

(iv) Definition of default and credit impaired financial assets (continued)

Qualitative criteria: (continued)

The Group does not specifically define a financial instrument as default based on the quantitative criteria.

Financial instruments that are credit-impaired are assessed on an individual basis.

(v) Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

To measure ECL, trade receivables arising from trading and distribution and shipping business have been grouped based on shared credit risk characteristics and the days past due.

(ii) Individual assessment

Other receivables and amounts due from subsidiaries which are in default or credit-impaired are assessed individually.

(vi) Write-off

(i) Trade receivables

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(e) Impairment of assets (continued)

Accounting policies applied from 1 January 2018 (continued)

(vi) Write-off (continued)

(ii) Other receivables and amounts due from subsidiaries

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

(vii) Financial assets carried at amortised cost

In the prior financial year, the Group assessed impairment of financial assets based on incurred loss model. The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(e) Impairment of assets (continued)

Accounting policies applied from 1 January 2018 (continued)

(viii) Financial assets classified as available-for-sale

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss in subsequent periods.

(f) Financial assets

Accounting policies applied from 1 January 2018

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ('OCI') or through profit or loss), and
- those to be measured at amortised cost.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVTPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(f) Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

(iii) Measurement (continued)

Financial assets with embedded derivatives are considered in their entity when determining whether their cash flows are solely payment of principal and interest ('SPPI').

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

There are three measurement categories into which the Group classifies its debt instruments:

(a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other operating income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating income/(expense) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

(b) Fair value through other comprehensive income ('FVOCI')

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating income/(expense).

Interest income from these financial assets is included in other operating income using the effective interest rate method. Foreign exchange gains and losses are presented in other operating income/(expense) and impairment expenses are presented as separate line item in the statement of comprehensive income.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(f) Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

(iii) Measurement (continued)

(c) Fair value through profit or loss ('FVTPL')

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other operating income/(expense) in the period which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other operating income/(expense) in the statement of comprehensive income.

(iv) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'deposits, cash and cash equivalents' in the statements of financial position (Notes 22 and 23).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(f) Financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

(v) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss.

(vi) Subsequent measurement – gains and losses

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables financial assets are subsequently carried at amortised cost using the effective interest method. Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 3(e)(vii)) and foreign exchange gains and losses on monetary assets (see accounting policy Note 3(v)(ii)).

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in profit or loss. Dividend income on available-for-sale equity instruments is recognised in profit or loss when the Group's right to receive payments is established.

(vii) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not de-recognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(g) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(h) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Accounting policies applied from 1 January 2018

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 'Financial instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.

Accounting policies applied until 31 December 2017

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with MFRS 137 'Provisions, contingent liabilities and contingent assets' and the amount initially recognised less cumulative amortisation, where appropriate.

(i) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(i) Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(i) Leases (continued)

(i) Finance leases (continued)

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

(ii) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight-line basis over the lease period.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

(k) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include transfer taxes and duties.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. See accounting policy Note 3(e)(ii) on impairment for debt instruments.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(l) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

In the statements of financial position, banks overdrafts are shown within borrowings in current liabilities.

(m) Share capital

(i) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the substance of the contractual agreement of the particular instrument.

(ii) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

(iii) Purchase of own shares

Where any company within the Group purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of tax, is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled, reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the owners of the Company.

(iv) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(m) Share capital (continued)

(iv) Earnings per share (continued)

#### Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(n) Trade payables

Trade payables represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within 12 months after the reporting period, if not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties.

Trade payables are subsequently measured at amortised cost using the effective interest method.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Where the terms of a financial liability are renegotiated and the Group issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(p) Current and deferred income tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting date in the countries where the Company and its subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries and associates unless the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(q) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as 'trade and other payables' in the statements of financial position.

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(ii) Defined contribution plans

The Group's contributions to defined contribution plans are charged to profit or loss in the period to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present values.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(r) Provisions (continued)

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

(s) Contingent assets and contingent liabilities

The Group does not recognise contingent assets and liabilities other than those arising from business combinations, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(t) Revenue from contracts with customers

Accounting policies applied from 1 January 2018

(i) Sale of goods

The Group engages in the business of trading and distribution of consumer products, building materials and chemical products. Revenue from the sale of goods is recognised when the control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of discounts and returns at the time of sale. No element of financing is deemed present as the sales are made with a credit term ranging from 30 to 90 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(t) Revenue from contracts with customers (continued)

Accounting policies applied from 1 January 2018

(ii) Rendering of services

The Group provides shipping services. Revenue from the rendering of services is recognised when the Group has rendered the services to the customer. As the contract terms of the services provided have a generally short period of delivery (less than one year), revenue is recognised in the period the services are provided. The Group's obligation to render services to a customer for which the Group has received consideration in advance from customer is recognised as contract liability.

Accounting policies applied until 31 December 2017

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of goods and services tax, returns, rebates and discounts and amounts collected on behalf of third parties and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of goods

The Group engages in the business of trading and distribution of consumer products, building materials and chemical products. Sales of goods are recognised when a Group entity has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group's customers have a right to return faulty products. Sales are recorded based on the price specified in the sales contracts or invoices, net of discounts and returns at the time of sale. No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days, which is consistent with market practice.

(ii) Rendering of services

The Group provides shipping and travel agency services. Rendering of services are recognised when an entity within the Group has delivered the services to the customer. As the contract terms of the services provided have a generally short period of delivery (less than one year), revenue is recognised in the period the services are provided.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(u) Revenue from other sources

(i) Interest income

Interest income is recognised using the effective interest method.

Interest income from financial assets at FVTPL is recognised as part of net gains or net losses on these financial instruments.

Interest income on financial assets at amortised cost and financial assets at FVOCI (2017: loans and receivables) calculated using the effective interest method is recognised in the statements of comprehensive income as part of other operating income.

Accounting policies applied from 1 January 2018

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Accounting policies applied until 31 December 2017

When a loan and receivable is impaired, the Group reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(ii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. Dividend income are received from financial assets measured at FVTPL and at FVOCI (2017: AFS financial assets).

Dividend income from financial assets at FVTPL is recognised as part of net gains or net losses on these financial instruments. Dividend income from financial assets at FVOCI (2017: AFS financial assets) are recognised as other operating income in profit or loss.

Accounting policies applied from 1 January 2018

From 1 January 2018 onward, dividends that clearly represents a recovery of part of the cost of an investment is recognised in OCI if it relates to an investment in equity instruments measured at FVOCI.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(v) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow or net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss on a net basis within other operating income or expense.

Changes in the fair value of monetary securities denominated in foreign currency classified as debts instruments classified as at fair value through other comprehensive income (2017: available-for-sale) are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as at fair value through other comprehensive income (2017: available for sale), are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the entities within the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(v) Foreign currencies (continued)

(iii) Group companies (continued)

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(w) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Managing Director that makes strategic decisions.

### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are explained below.

(a) **Deferred tax assets**

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences or tax losses can be utilised. Estimating the future taxable profits involves significant assumptions. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable growth rate.

(b) **Provision for obsolescence of inventories**

Inventories are carried at the lower of cost and net realisable value. This requires the estimation of the eventual selling price of the goods to the customers in the future. A high degree of judgement is applied when estimating the impact on the carrying value of inventories, taking into consideration of factors giving rise to slow moving items, damage stocks and obsolescence. The provision for obsolescence of inventories computed by management is based on percentages applied on the inventories' ageing band and the category of inventories. These rates require significant judgement. The provision for obsolescence of inventories as at the reporting date is as follows:

	<u>2018</u> <b>RM'000</b>	<u>Group</u> <u>2017</u> RM'000
Provision for obsolescence of inventories	<b>8,814</b>	8,466

(c) **Loss allowance for trade receivables**

The loss allowance for trade receivables is assessed based on the expected loss rates. Significant judgement and estimates are required in determining the loss rates to be applied to each ageing band of the trade receivables. Details of the key assumptions and inputs used are disclosed in Note 30(iv)(b).

	<u>2018</u> <b>RM'000</b>	<u>Group</u> <u>2017</u> RM'000
Accumulated impairment of trade receivables	<b>39,204</b>	35,334

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **5. SEGMENT REPORTING**

The Group operates primarily within Malaysia for its trade and distribution business which is the major contributor to the Group's operations. It comprises trading and distribution of consumer products, building materials, industrial and agricultural chemical products and liquor products. These activities are covered by several companies in Sabah, Sarawak and Peninsular Malaysia which are operating segments, and have been aggregated into the Trading and Distribution segment as they exhibit similar nature of business and methods of distribution of products.

With effect from the current financial year, the retail business is shown as a separate reportable segment following the acquisition of Watts Harrisons Sdn. Bhd. in Peninsular Malaysia and Famous Amos Chocolate Chip Cookie Singapore Pte. Ltd. in Singapore. Both entities are principally involved in the retailing of household and consumer goods.

Other than the above, the Group provides engineering, insurance, shipping, travel agency services and rental of property, none of which is of a sufficient size to be reported separately.

The chief operating decision-maker evaluates performance of segments by reviewing revenue, profit before tax and monthly internal management reports in order to allocate resources to segments.

Intersegment revenue comprises dividend income, rental received from the letting out of properties and management services rendered to other business segments within the Group.

Segment results represent segment revenue less segment expenses. Unallocated costs represent interest income and finance cost.

Segment assets consist primarily of property, plant and equipment, inventories, operating receivables, short term and other investments and cash and bank balances. Segment liabilities comprise mainly of payables and other operating liabilities. Unallocated assets consist of tax assets and deferred tax assets. Unallocated liabilities consist of tax liabilities and deferred tax liabilities.

Capital expenditure comprises additions to property, plant and equipment.



# **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018** **(CONTINUED)**

## **5. SEGMENT REPORTING (CONTINUED)**

	<b>Trade And distribution RM'000</b>	<b>Retail RM'000</b>	<b>Shipping and others RM'000</b>	<b>Group RM'000</b>
<u>2018</u>				
<u>Revenue</u>				
Total segment revenue	<b>1,624,534</b>	<b>16,440</b>	<b>32,755</b>	<b>1,673,729</b>
Inter segment revenue	<b>(19)</b>	<b>-</b>	<b>(22,282)</b>	<b>(22,301)</b>
External revenue	<b>1,624,515</b>	<b>16,440</b>	<b>10,473</b>	<b>1,651,428</b>
<u>Results</u>				
Segment results (external)	<b>40,246</b>	<b>765</b>	<b>(3,754)</b>	<b>37,257</b>
Interest income				<b>1,421</b>
Finance costs				<b>(7,021)</b>
Profit from ordinary activities before tax				<b>31,657</b>
Taxation				<b>(9,584)</b>
Profit from ordinary activities after tax				<b>22,073</b>
<u>Capital employed</u>				
Segment assets	<b>631,981</b>	<b>16,758</b>	<b>53,952</b>	<b>702,691</b>
Unallocated assets				<b>9,610</b>
Total assets				<b>712,301</b>
Segment liabilities	<b>387,716</b>	<b>5,366</b>	<b>4,507</b>	<b>397,589</b>
Unallocated liabilities				<b>1,855</b>
Total liabilities				<b>399,444</b>
<u>Other information</u>				
Capital expenditure incurred during the financial year	<b>4,856</b>	<b>89</b>	<b>8</b>	<b>4,953</b>
Depreciation of property, plant and equipment	<b>4,031</b>	<b>296</b>	<b>601</b>	<b>4,928</b>
Depreciation of investment properties	<b>35</b>	<b>-</b>	<b>-</b>	<b>35</b>
Impairment for trade and other receivables (net)	<b>997</b>	<b>(8)</b>	<b>51</b>	<b>1,040</b>
Reversal of provision for obsolescence of inventories (net)	<b>348</b>	<b>-</b>	<b>-</b>	<b>348</b>
Inventories written off	<b>3,029</b>	<b>-</b>	<b>-</b>	<b>3,029</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 5. SEGMENT REPORTING (CONTINUED)

	Trade And distribution RM'000	Shipping and others RM'000	Group RM'000
<u>2017</u>			
<u>Revenue</u>			
Total segment revenue	1,540,258	47,333	1,587,591
Inter segment revenue	-	(36,637)	(36,637)
External revenue	<u>1,540,258</u>	<u>10,696</u>	<u>1,550,954</u>
<u>Results</u>			
Segment results (external)	31,527	823	32,350
Interest income			1,597
Finance costs			(5,930)
Profit from ordinary activities before tax			<u>28,017</u>
Taxation			(6,480)
Profit from ordinary activities after tax			<u>21,537</u>
<u>Capital employed</u>			
Segment assets	588,793	62,817	651,610
Unallocated assets			10,946
Total assets			<u>662,556</u>
Segment liabilities	354,569	2,232	356,801
Unallocated liabilities			743
Total liabilities			<u>357,544</u>
<u>Other information</u>			
Capital expenditure incurred			
during the financial year	6,449	331	6,780
Depreciation of property, plant and equipment	3,996	540	4,536
Depreciation of investment properties	35	-	35
Impairment for trade and other receivables (net)	4,878	115	4,993
Reversal of provision for obsolescence			
of inventories (net)	(1,426)	-	(1,426)
Inventories written off	<u>4,371</u>	<u>-</u>	<u>4,371</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 5. SEGMENT REPORTING (CONTINUED)

	Trade And distribution RM'000	Retail RM'000	Shipping and others RM'000	Group RM'000
<b>2018</b>				
<u>Analysis of external revenue by category</u>				
- Consumer products	1,363,779	16,440	-	1,380,219
- Building materials	208,792	-	-	208,792
- Chemical products	51,944	-	-	51,944
- Commission, handling fees and others	-	-	10,473	10,473
	<u>1,624,515</u>	<u>16,440</u>	<u>10,473</u>	<u>1,651,428</u>
<u>Analysis of external revenue by geographical market</u>				
- Sabah	916,593	-	8,066	924,659
- Sarawak	470,870	-	875	471,745
- Peninsular Malaysia	237,052	9,045	1,532	247,629
- Singapore	-	7,395	-	7,395
	<u>1,624,515</u>	<u>16,440</u>	<u>10,473</u>	<u>1,651,428</u>
<b>2017</b>				
<u>Analysis of external revenue by category</u>				
- Consumer products	1,276,247	-	-	1,276,247
- Building materials	209,327	-	-	209,327
- Chemical products	54,684	-	-	54,684
- Commission, handling fees and others	-	-	10,696	10,696
	<u>1,540,258</u>	<u>-</u>	<u>10,696</u>	<u>1,550,954</u>
<u>Analysis of external revenue by geographical market</u>				
- Sabah	863,411	-	7,745	871,156
- Sarawak	440,230	-	1,213	441,443
- Peninsular Malaysia	236,617	-	1,738	238,355
	<u>1,540,258</u>	<u>-</u>	<u>10,696</u>	<u>1,550,954</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 6. REVENUE

	<u>2018</u> RM'000	<u>2017</u> RM'000
<u>Group</u>		
Revenue from contract with customers	<u>1,651,428</u>	<u>1,550,954</u>
Disaggregation of the Company's revenue from contracts with customers:		
Sale of goods	1,640,955	1,540,258
Shipping services	8,496	9,015
Others	1,977	1,681
	<u>1,651,428</u>	<u>1,550,954</u>
Timing of revenue recognition		
- at a point in time	<u>1,651,428</u>	<u>1,550,954</u>
<u>Company</u>		
Dividends from subsidiaries	16,500	31,110
Dividends from third parties	976	794
	<u>17,476</u>	<u>31,904</u>

### 7. FINANCE COSTS

	<u>2018</u> RM'000	<u>Group</u> <u>2017</u> RM'000
Interest expense:		
- bank overdrafts	103	119
- bankers' acceptances	6,631	5,716
- revolving credit	287	95
	<u>7,021</u>	<u>5,930</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 8. PROFIT BEFORE TAXATION

The following items have been charged/(credited) in arriving at profit before taxation:

	Group		Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
- statutory audit	720	650	180	180
- audit related fees	60	10	5	10
(Reversal)/Impairment for:				
- trade and other receivables (net)	(1,040)	5,123	-	-
- amount due from an associate	34	429	-	-
Provision/(Reversal) for				
obsolescence of inventories	348	(1,426)	-	-
Inventories written off	3,029	4,371	-	-
Property, plant and equipment:				
- depreciation	4,928	4,536	516	452
- (gain)/loss on disposal	(195)	93	-	-
- written off	47	-	-	-
- impairment loss	-	693	-	-
Depreciation of investment properties	35	35	-	-
(Gain)/loss on disposal of:				
- available-for-sale financial assets	-	(1,095)	-	(1,095)
- financial assets at FVOCI	188	-	188	-
- financial assets at FVTPL	(12)	-	(14)	-
Fair value loss on financial assets at FVTPL	1,337	-	1,325	-
Unrealised foreign exchange (gain)/loss	(31)	442	(31)	442
Dividends from third parties	(1,205)	(825)	(976)	(794)
Dividends from subsidiaries	-	-	(16,500)	(31,110)
Interest income:				
- amount due from subsidiaries	-	-	(444)	(368)
- external	(1,183)	(1,381)	(113)	(197)
- amounts due from an associate	(238)	(216)	-	-
Management fees receivable from an associate	(12)	(12)	-	-
Management fee payable to a subsidiary	-	-	1,419	1,377
Outward transportation charges	11,328	11,543	-	-
Rental expense on land and buildings	10,692	9,963	41	41
Rental income on land and buildings	(1,527)	(1,336)	-	-
Staff costs:				
- salaries, wages, bonus, commissions and allowances*	59,284	57,160	421	422
- defined contribution plan	8,774	8,242	-	-
- others	802	682	-	-
Travelling expenses	3,752	4,026	32	17
Reversal of legal claim	(3,088)	-	-	-

\* includes Directors' remuneration. The Directors' remuneration is disclosed in Note 9.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 9. DIRECTORS' REMUNERATION

The aggregate amount of emoluments receivable by Directors during the financial year is as follows:

	Group		Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Fees and allowances	<b>421</b>	422	<b>421</b>	422
Salaries and other emoluments	<b>2,045</b>	1,772	-	-
Defined contribution plan	<b>307</b>	266	-	-
	<b>2,773</b>	2,460	<b>421</b>	422
Estimated monetary value of benefits-in-kind	<b>86</b>	83	<b>23</b>	23

### 10. TAXATION

	Group		Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
The tax charge for the financial year comprise:				
Current tax:				
- Malaysian tax	<b>8,572</b>	7,628	<b>35</b>	207
- Deferred tax (Note 20)	<b>1,012</b>	(1,148)	<b>166</b>	(131)
	<b>9,584</b>	6,480	<b>201</b>	76
Current tax:				
- Current financial year	<b>8,139</b>	8,254	<b>86</b>	188
- Under/(Over) accrual in prior years	<b>433</b>	(626)	<b>(51)</b>	19
	<b>8,572</b>	7,628	<b>35</b>	207
Deferred tax:				
- Origination and reversal of temporary differences	<b>1,012</b>	(1,148)	<b>166</b>	(131)
	<b>9,584</b>	6,480	<b>201</b>	76

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 10. TAXATION (CONTINUED)

The explanation of the relationship between taxation and profit before taxation is as follows:

	Group		Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate				
Profit before taxation	<u>31,657</u>	<u>28,017</u>	<u>13,663</u>	<u>30,477</u>
Tax calculated at the Malaysian tax rate of 24% (2017: 24%)	<u>7,598</u>	<u>6,724</u>	<u>3,279</u>	<u>7,314</u>
Tax effects of				
- Expenses not deductible for tax purposes	1,806	1,029	959	769
- Income not subject to tax	(540)	(719)	(4,199)	(8,026)
- Different tax rate in other countries	(37)	-	-	-
- Deferred tax assets not recognised	-	72	-	-
- Reversal of temporary differences not recognised previously	(89)	-	-	-
- Under/(Over) accrual of income tax in prior years	433	(626)	(51)	19
- Over accrual of deferred tax in prior years	413	-	213	-
Taxation	<u>9,584</u>	<u>6,480</u>	<u>201</u>	<u>76</u>

### 11. EARNINGS PER SHARE

Earnings per share of the Group is calculated by dividing the profit for the financial year by the weighted average number of ordinary shares in issue during the financial year, excluding ordinary shares repurchased by the Company and held as treasury shares.

	Group	
	<u>2018</u>	<u>2017</u>
Profit for the financial year attributable to owners of the Company (RM'000)	21,775	21,591
Number of ordinary shares in issue ('000)	68,476	68,476
Basic and diluted earnings per share (sen)	<u>31.80</u>	<u>31.53</u>

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **12. DIVIDENDS**

Dividends recognised as distribution to the shareholders by the Company are as follows:

	<u><b>2018</b></u> <b>RM'000</b>	<u><b>2017</b></u> <b>RM'000</b>
In respect of the financial year ended 31 December 2017 declared and paid in the financial year ended 31 December 2018:		
Final single tier dividend of RM0.20 per ordinary shares paid on 13 July 2018	<b>13,695</b>	-
In respect of the financial year ended 31 December 2016 declared and paid in the financial year ended 31 December 2017:		
Final single tier dividend of RM0.25 per ordinary shares paid on 14 July 2017	-	17,119
	<u><b>13,695</b></u>	<u><b>17,119</b></u>

For the financial year ended 31 December 2018, the Directors have recommended the payment of a final single tier dividend of RM0.20 per ordinary share amounting to RM13.7 million, subject to the approval of the members at the forthcoming Annual General Meeting of the Company.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

**13. PROPERTY, PLANT AND EQUIPMENT**

<u>Group</u>	<u>Leasehold land RM'000</u>	<u>Freehold land RM'000</u>	<u>Buildings RM'000</u>	<u>Motor vehicles RM'000</u>	<u>Furniture, fittings and equipment RM'000</u>	<u>Total RM'000</u>
<u>Cost</u>						
As at 1 January 2018	15,961	328	16,466	17,417	41,446	91,618
Acquisition of subsidiaries (Note 18)	-	-	5,940	1,151	6,990	14,081
Additions	-	-	-	776	4,177	4,953
Disposals	(66)	-	(5)	(128)	(33)	(232)
Write-off	-	-	-	-	(318)	(318)
As at 31 December 2018	<u>15,895</u>	<u>328</u>	<u>22,401</u>	<u>19,216</u>	<u>52,262</u>	<u>110,102</u>
<u>Accumulated depreciation</u>						
As at 1 January 2018	(2,542)	-	(6,993)	(11,884)	(26,064)	(47,483)
Acquisition of subsidiaries (Note 18)	-	-	(808)	(644)	(5,142)	(6,594)
Charge for the financial year	(146)	-	(290)	(1,076)	(3,416)	(4,928)
Disposals	-	-	-	85	22	107
Write-off	-	-	-	-	271	271
As at 31 December 2018	<u>(2,688)</u>	<u>-</u>	<u>(8,091)</u>	<u>(13,519)</u>	<u>(34,329)</u>	<u>(58,627)</u>
<u>Accumulated impairment</u>						
As at 1 January 2018/31 December 2018	-	-	(2,793)	-	-	(2,793)
<u>Net book value</u>						
As at 31 December 2018	<u>13,207</u>	<u>328</u>	<u>11,517</u>	<u>5,697</u>	<u>17,933</u>	<u>48,682</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Group</u>	<u>Leasehold land RM'000</u>	<u>Freehold land RM'000</u>	<u>Buildings RM'000</u>	<u>Motor vehicles RM'000</u>	<u>Furniture, fittings and equipment RM'000</u>	<u>Total RM'000</u>
<u>Cost</u>						
As at 1 January 2017	16,701	328	16,466	16,750	36,451	86,696
Additions	-	-	-	1,635	5,145	6,780
Disposals	-	-	-	(968)	(150)	(1,118)
Reclassification to investment properties (Note 14)	(740)	-	-	-	-	(740)
As at 31 December 2017	15,961	328	16,466	17,417	41,446	91,618
<u>Accumulated depreciation</u>						
As at 1 January 2017	(2,413)	-	(6,701)	(11,321)	(23,298)	(43,733)
Charge for the financial year	(148)	-	(292)	(1,181)	(2,915)	(4,536)
Disposals	-	-	-	618	149	767
Reclassification to investment properties (Note 14)	19	-	-	-	-	19
As at 31 December 2017	(2,542)	-	(6,993)	(11,884)	(26,064)	(47,483)
<u>Accumulated impairment</u>						
As at 1 January 2017	-	-	(2,100)	-	-	(2,100)
Charge for the financial year	-	-	(693)	-	-	(693)
31 December 2017	-	-	(2,793)	-	-	(2,793)
<u>Net book value</u>						
As at 31 December 2017	13,419	328	6,680	5,533	15,382	41,342

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Company</u>	<u>Motor vehicles RM'000</u>	<u>Furniture, fittings and equipment RM'000</u>	<u>Total RM'000</u>
<u>Cost</u>			
As at 1 January 2018/ 31 December 2018	<u>1,097</u>	<u>1,472</u>	<u>2,569</u>
<u>Accumulated depreciation</u>			
As at 1 January 2018	(539)	(691)	(1,230)
Charge for the financial year	<u>(168)</u>	<u>(348)</u>	<u>(516)</u>
As at 31 December 2018	<u>(707)</u>	<u>(1,039)</u>	<u>(1,746)</u>
<u>Net book value</u>			
As at 31 December 2018	<u>390</u>	<u>433</u>	<u>823</u>
<u>Cost</u>			
As at 1 January 2017	1,097	1,144	2,241
Additions	<u>-</u>	<u>328</u>	<u>328</u>
As at 31 December 2017	<u>1,097</u>	<u>1,472</u>	<u>2,569</u>
<u>Accumulated depreciation</u>			
As at 1 January 2017	(370)	(408)	(778)
Charge for the financial year	<u>(169)</u>	<u>(283)</u>	<u>(452)</u>
As at 31 December 2017	<u>(539)</u>	<u>(691)</u>	<u>(1,230)</u>
<u>Net book value</u>			
As at 31 December 2017	<u>558</u>	<u>781</u>	<u>1,339</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 14. INVESTMENT PROPERTIES

	<u>2018</u> <u>RM'000</u>	Group <u>2017</u> <u>RM'000</u>
<u>Cost</u>		
As at 1 January	2,771	2,031
Reclassification from property, plant and equipment (Note 13)	-	740
As at 31 December	<u>2,771</u>	<u>2,771</u>
<u>Accumulated depreciation</u>		
As at 1 January	(924)	(870)
Charge for the financial year	(35)	(35)
Reclassification from property, plant and equipment (Note 13)	-	(19)
As at 31 December	<u>(959)</u>	<u>(924)</u>
Net book value	<u><u>1,812</u></u>	<u><u>1,847</u></u>

The fair values of investment properties for the Group as at 31 December 2018 were estimated at RM13,670,000 (2017: RM13,670,000) based on the Director's valuations which are derived using the market approach by way of comparison method of valuation. This method of valuation entails comparing recent ask price of other similar properties in the vicinity whilst making due allowances to factors such as location and size. The fair values are categorised as Level 3 in the fair value hierarchy as the valuations were based on observable valuation inputs, which were then adjusted to take into consideration the age and condition of the buildings.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Quoted:				
- Equity securities – Malaysia	-	323	-	-
- Equity securities – Singapore	-	2,345	-	2,345
- Equity securities – United States	-	3,466	-	3,466
Unit trust funds	-	21,820	-	21,561
	<u>-</u>	<u>27,954</u>	<u>-</u>	<u>27,372</u>
	<u><u>-</u></u>	<u><u>27,954</u></u>	<u><u>-</u></u>	<u><u>27,372</u></u>

Available-for-sale financial assets are denominated in the following currencies:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Ringgit Malaysia	-	22,143	-	21,561
Singapore Dollar	-	2,345	-	2,345
United States Dollar	-	3,466	-	3,466
	<u>-</u>	<u>27,954</u>	<u>-</u>	<u>27,372</u>
	<u><u>-</u></u>	<u><u>27,954</u></u>	<u><u>-</u></u>	<u><u>27,372</u></u>

These investments were classified as financial assets at FVOCI (Note 16) and financial assets at FVTPL (Note 17) as at 1 January 2018.

The fair value of these investments were determined based on the quoted market price. The fair value is categorised as Level 1 in the fair value hierarchy of MFRS 13 “Fair Value Measurement” classification hierarchy.

The financial assets were presented as non-current assets unless they matured, or management intended to dispose of them within 12 months from the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 16. FINANCIAL ASSETS AT FVOCI

Financial assets at FVOCI include the following:

	Group		Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Quoted:				
- Equity securities – Malaysia	228	-	-	-
- Equity securities – Singapore	2,168	-	2,168	-
- Equity securities – Europe	861	-	861	-
- Equity securities – United States	717	-	717	-
	<u>3,974</u>	<u>-</u>	<u>3,746</u>	<u>-</u>

Financial assets at FVOCI are denominated in the following currencies:

	Group		Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	228	-	-	-
Singapore Dollar	2,168	-	2,168	-
Euro	861	-	861	-
United States Dollar	717	-	717	-
	<u>3,974</u>	<u>-</u>	<u>3,746</u>	<u>-</u>

The Group and the Company have irrevocably elected to classify the equity securities at fair value through other comprehensive income ("FVOCI") as at 1 January 2018, upon adoption of MFRS 9 "Financial Instruments".

The Group and the Company consider this classification to be more relevant as these investments are held as long term strategic investments and not for trading purpose.

In the previous financial year, the Group and the Company had designated these investments as available-for-sale financial assets as disclosed in Note 15.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 17. FINANCIAL ASSETS AT FVTPL

Financial assets at FVTPL include the following:

	Group		Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Quoted:				
- Unit trust funds – Malaysia	21,281	-	21,096	-
- Unit trust funds – United States	1,456	-	1,456	-
	<u>22,737</u>	<u>-</u>	<u>22,552</u>	<u>-</u>

Financial assets at FVTPL are denominated in the following currencies:

	Group		Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	21,281	-	21,096	-
United States Dollar	1,456	-	1,456	-
	<u>22,737</u>	<u>-</u>	<u>22,552</u>	<u>-</u>

The Group and the Company have irrevocably elected to classify the unit trust funds at fair value through profit or loss ("FVTPL") as at 1 January 2018, upon adoption of MFRS 9 "Financial Instruments".

The Group and the Company consider this classification to be relevant as these investments does not meet the MFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

In the previous financial year, the Group and the Company had designated these investments as available-for-sale financial assets as disclosed in Note 15.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### (CONTINUED)

#### 18. SUBSIDIARIES

##### Company

	<u>2018</u> RM'000	<u>2017</u> RM'000
Unquoted shares at cost	<b>65,581</b>	62,581
Less: Allowance for impairment loss	<b>(7,984)</b>	(4,984)
	<u><b>57,597</b></u>	<u>57,597</u>

The Group's effective equity interest in the subsidiaries are as follows:

<u>Name of Companies</u>	<u>Effective equity interest</u>		<u>Principal activities</u>
	<u>2018</u> %	<u>2017</u> %	
Incorporated in Malaysia			
<u>Held directly by Harrisons Holdings (Malaysia) Berhad</u>			
Harrisons Peninsular Sdn. Bhd.	<b>100</b>	100	Marketing, sales and distribution of building materials, industrial and agricultural chemical products, liquor products and the operation of shipping and insurance agencies
Harrisons Sabah Sdn. Bhd.	<b>100</b>	100	Marketing, sales and distribution of consumer, engineering, building and agricultural chemical products, operation of shipping and investment holding



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### (CONTINUED)

#### 18. SUBSIDIARIES (CONTINUED)

<u>Name of Companies</u>	<u>Effective equity interest</u>		<u>Principal activities</u>
	<u>2018</u>	<u>2017</u>	
	<u>%</u>	<u>%</u>	
Incorporated in Malaysia			
<u>Held directly by Harrisons Holdings (Malaysia) Berhad</u> (continued)			
Harrisons Sarawak Sdn. Bhd.	100	100	Marketing, sales and distribution of consumer, engineering, building and agricultural chemical products, and the operation of shipping and investment holding
Harrisons Marketing & Services Sdn. Bhd. α	100	100	Trading of consumer products
<u>Subsidiaries of Harrisons Peninsular Sdn. Bhd.</u>			
J. Whyte (Malaysia) Sdn. Bhd.	100	100	Letting of property and related services
Harrisons Chemicals Sdn. Bhd.	100	100	Dormant
Weedone Products (Malaya) Sdn. Bhd. #	100	100	Dormant
Marca Privada Sdn. Bhd. #	100	100	Procurement and marketing of consumer goods
Harrisons Corporate Services Sdn. Bhd. #	100	100	Provision of management services
Watts Harrisons Sdn. Bhd. #	100	-	Retailing of household and consumer goods
Famous Foods Company Pte. Ltd. #	68	-	Investment holding
The Famous Amos Chocolate Chip Cookie Singapore Pte. Ltd. #	54	-	Manufacturing and retailing of consumer goods
<u>Subsidiaries of Harrisons Sabah Sdn. Bhd.</u>			
Harrisons Travel Sdn. Bhd. +	100	100	Travel agent
Harcros (Sabah) Sdn. Bhd.	100	100	Dormant

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 18. SUBSIDIARIES (CONTINUED)

- # Not audited by PricewaterhouseCoopers PLT, Malaysia.
- + Harrisons Sabah Sdn. Bhd. holds an effective equity interest of 73% in Harrisons Travel Sdn. Bhd. The remaining 27% is held by Harrisons Peninsular Sdn. Bhd. Therefore, the Group holds an effective equity interest of 100%.
- α The Company holds an effective equity interest of 74% in Harrisons Marketing & Services Sdn. Bhd. The remaining 26% is held by Harrisons Peninsular Sdn. Bhd. Therefore, the Group holds an effective equity interest of 100%.
- (a) On 6 April 2018, Harrisons Peninsular Sdn. Bhd. ("HPSB") acquired 8,500,000 ordinary shares in Watts Harrisons Sdn. Bhd. ("Watts"), representing 100% of the total issued and paid-up share capital of the entity, for a total consideration of RM4. As a result, Watts became a wholly-owned subsidiary of HPSB. Details of the purchase consideration, the net assets acquired and bargain purchase are as follows:

	At date of acquisition RM'000
<u>Fair value of identifiable net assets acquired</u>	
Property, plant and equipment	216
Inventories	1,162
Trade and other receivables	1,092
Bank balances	989
Trade and other payables	(2,779)
	<hr/>
Net identifiable assets acquired	680
Negative goodwill	(680)
	<hr/>
Purchase consideration in cash	- *
	<hr/>
	RM'000
<u>Inflow of cash on acquisition of a subsidiary</u>	
Purchase consideration	- *
Bank balances of subsidiary acquired	989
	<hr/>
Net inflow of cash – investing activities	989
	<hr/> <hr/>

\* Denotes RM4

The acquisition of this subsidiary has no material effect on the results of the Group for the financial year ended 31 December 2018.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 18. SUBSIDIARIES (CONTINUED)

- (b) In April 2018, HPSB paid a cash contribution of RM9,628,576 to subscribe for 3,209,599 ordinary shares in Famous Foods Company Pte. Ltd. ("Famous Foods"), representing 68% equity interest this newly incorporated entity.

Subsequently on 27 September 2018, Famous Foods acquired 80% equity interest in Famous Amos Chocolate Chip Cookie Singapore Pte. Ltd. ("Famous Amos") for a total consideration of SGD4,560,000. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	At date of acquisition RM'000
<u>Fair value of identifiable net assets acquired</u>	
Property, plant and equipment	7,271
Inventories	2,040
Trade and other receivables	1,659
Bank balances	4,926
Deferred tax liabilities	(270)
Trade and other payables	(4,359)
Tax payable	(229)
	<hr/>
Net identifiable assets acquired	11,038
Less: Non-controlling interest ("NCI")	(4,968)
Add: Goodwill	3,559
	<hr/>
Purchase consideration in cash	9,629
	<hr/>
<u>Outflow of cash on acquisition of a subsidiary</u>	
Purchase consideration	
- HPSB at 68%	(9,629)
- NCI at 32%	(4,531)
	<hr/>
	(14,160)
Bank balances of subsidiary acquired	4,926
	<hr/>
Net outflow of cash – investing activities	(9,234)
	<hr/>

The acquisitions of these subsidiaries have no material effect on the results of the Group for the financial year ended 31 December 2018.

The purchase price allocation of the acquisition was provisional as at 31 December 2018 and the Group expects to complete the final purchase price allocation exercise within the twelve months window period from the acquisition date.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 19. INVESTMENT IN ASSOCIATE

The Group has not recognised its share of loss after tax of an associate for the financial year of RM85,000 (2017: Loss after tax of RM65,000) as the share of accumulated losses of the associate of RM862,000 has exceeded the carrying amount of the investment. The cost of the investment was RM24,500 and has been fully written down.

The Group's unrecognised cumulative share of losses of the associate based on unaudited results of the associate is RM862,000 (2017: RM777,000).

The Group's effective equity interest in the associate is as follows:

<u>Name of company</u>	<u>Effective equity interest</u>		<u>Principal activities</u>
	<u>2018</u> %	<u>2017</u> %	
<u>Associate of Harrisons</u> <u>Peninsular Sdn. Bhd.</u>			
Harrisons Logistics Sdn. Bhd. #	<b>30</b>	30	Marketing, sales, warehousing and distribution of agrochemical products and building materials and forwarding agent

# Not audited by PricewaterhouseCoopers PLT, Malaysia. The above associate is incorporated in Malaysia.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 20. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Deferred tax after offsetting to be recovered after more than 12 months:				
- Deferred tax assets	<b>5,162</b>	5,979	<b>50</b>	216
- Deferred tax liabilities	<b>(1,143)</b>	(678)	-	-
At 31 December	<b>4,019</b>	5,301	<b>50</b>	216
At 1 January	<b>5,301</b>	4,153	<b>216</b>	85
Acquisition of a subsidiary (Note 18)	<b>(270)</b>	-	-	-
Credited/(Charged) to profit or loss (Note 10):				
- property, plant and equipment	<b>(807)</b>	282	<b>(172)</b>	133
- trade receivables	<b>249</b>	791	-	-
- inventories	<b>(158)</b>	(181)	-	-
- accruals	<b>(296)</b>	256	<b>6</b>	(2)
	<b>(1,012)</b>	1,148	<b>(166)</b>	131
At 31 December	<b>4,019</b>	5,301	<b>50</b>	216

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 20. DEFERRED TAXATION (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets (before offsetting)				
- trade receivables	4,005	3,756	-	-
- inventories	2,031	2,189	-	-
- accruals	3,528	3,824	108	102
- property, plant and equipment	-	-	-	114
	<u>9,564</u>	<u>9,769</u>	<u>108</u>	<u>216</u>
Offsetting	<u>(4,402)</u>	<u>(3,790)</u>	<u>(58)</u>	<u>-</u>
Deferred tax assets (after offsetting)	<u>5,162</u>	<u>5,979</u>	<u>50</u>	<u>216</u>
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	(5,545)	(4,468)	58	-
Offsetting	<u>4,402</u>	<u>3,790</u>	<u>(58)</u>	<u>-</u>
Deferred tax liabilities (after offsetting)	<u>(1,143)</u>	<u>(678)</u>	<u>-</u>	<u>-</u>

The amount of unused tax losses and deductible temporary differences for which no deferred tax asset is recognised in the statements of financial position is as follows:

	<u>Group</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Deductible temporary differences (no expiry date)	3,125	4,855
Unused tax losses (7 years expiry period)	7,505	6,146
	<u>10,630</u>	<u>11,001</u>
Deferred tax assets not recognised at applicable tax rate	<u>2,551</u>	<u>2,640</u>

Deferred tax assets have not been recognised in respect of the unused tax losses and deductible temporary differences as these subsidiaries have a history of losses. As announced in the 2019 Budget and effective from year of assessment ("YA") 2019, unutilised tax losses in a YA is only allowed to be carried forward for a maximum period of 7 consecutive YAs.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 21. INVENTORIES

	<u>2018</u> <u>RM'000</u>	Group <u>2017</u> <u>RM'000</u>
Finished goods	<b>219,953</b>	178,624
Raw materials	<b>1,466</b>	-
	<b>221,419</b>	178,624

The carrying amount of inventories is RM221.4 million (2017: RM178.6 million) after deducting provision for obsolescence of inventories amounting to RM8.8 million (2017: RM8.5 million).

### 22. TRADE AND OTHER RECEIVABLES

	<u>2018</u> <u>RM'000</u>	Group <u>2017</u> <u>RM'000</u>	<u>2018</u> <u>RM'000</u>	Company <u>2017</u> <u>RM'000</u>
Trade receivables	<b>331,898</b>	327,759	-	-
Less: Allowance for impairment of trade receivables	<b>(39,204)</b>	(35,334)	-	-
Trade receivables - net	<b>292,694</b>	292,425	-	-
Amounts due from subsidiaries	-	-	<b>4,114</b>	7,853
Less: Allowance for impairment of amount due from a subsidiary	-	-	-	(3,600)
Amount due from subsidiaries - net	-	-	<b>4,114</b>	4,253
Deposits	<b>7,940</b>	1,606	<b>52</b>	50
Prepayments	<b>1,127</b>	662	<b>186</b>	40
Other receivables	<b>11,998</b>	12,333	<b>5,141</b>	5,285
	<b>21,065</b>	14,601	<b>5,379</b>	5,375
	<b>313,759</b>	307,026	<b>9,493</b>	9,628

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2017: 30 to 90 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The trade receivable balances are denominated in Ringgit Malaysia.

Included in trade receivable is amount due from an associate of RM2,998,000 (2017: RM2,964,000) which has been fully impaired. This amount represents balances arising from trade transactions and advances which are unsecured and have no fixed term of repayment.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 22. TRADE AND OTHER RECEIVABLES (CONTINUED)

The amounts due from subsidiaries represent expenses paid on behalf of the subsidiaries. These balances are unsecured, repayable on demand and bear interest at a rate of 7.1% (2017: 7.1%) per annum.

#### Reconciliation of loss allowance

The loss allowance for trade receivables as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	<u>2018</u> <u>RM'000</u>	<u>Group</u> <u>2017*</u> RM'000
At 1 January before restatement – calculated under MFRS 139	35,334	30,211
Amounts restated through opening retained earnings	4,910	-
Opening loss allowance as at 1 January 2018 – calculated under MFRS 9	40,244	30,211
(Decrease)/Increase in loss allowance recognised in profit or loss during the year	(1,040)	5,123
At 31 December	<u>39,204</u>	<u>35,334</u>

\* Loss allowance disclosed in comparative period is based on MFRS 139's incurred loss model.

### 23. DEPOSITS, CASH AND BANK BALANCES

	<u>2018</u> <u>RM'000</u>	<u>Group</u> <u>2017</u> RM'000	<u>2018</u> <u>RM'000</u>	<u>Company</u> <u>2017</u> RM'000
Deposits with licensed banks	11,671	9,054	-	-
Cash and bank balances	75,078	85,763	19,153	18,180
Deposits, cash and bank balances	86,749	94,817	19,153	18,180
Bank overdrafts (Note 25)	(396)	(4,496)	-	-
Cash and cash equivalents	86,353	90,321	19,153	18,180

The effective interest rate of fixed deposits with licensed banks during the financial year is 3.05% (2017: 2.85%) per annum. The maturity period of these deposits is 3 months (2017: 3 months). Bank balances are deposits held at call with bank

The currency exposure profile of deposits, cash and bank balances are disclosed in Note 30(i) to the financial statements.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 24. TRADE AND OTHER PAYABLES

	Group		Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Trade payables	156,739	135,479	-	-
Other payables	7,149	5,060	-	-
Refundable deposits	10,372	9,498	-	-
Accruals	18,089	18,886	753	691
	<u>192,349</u>	<u>168,923</u>	<u>753</u>	<u>691</u>

Credit terms of trade payables granted to the Group and the Company range from 5 days to 90 days (2017: 5 days to 90 days).

### 25. BORROWINGS

	Group	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Bank overdrafts (Note 23)	396	4,496
Bankers' acceptances	195,184	177,882
Revolving credit	9,660	5,500
	<u>205,240</u>	<u>187,878</u>

The unsecured bank overdrafts and short-term bankers' acceptances have an average maturity period of on call to one month (2017: on call to one month). The revolving credit has a maturity period of 60 days (2017: 60 days).

The average interest rates per annum of borrowings that were effective as at the reporting date are as follows:

	Group	
	<u>2018</u>	<u>2017</u>
	%	%
Bank overdrafts	8.35	7.78
Bankers' acceptances	4.23	3.91
Revolving credit	5.03	4.72

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 25. BORROWINGS (CONTINUED)

The change in liabilities is disclosed as follows:

<u>Group</u>	<u>2018</u> <u>RM'000</u>	<u>2017</u> <u>RM'000</u>
<u>Bankers' acceptances:</u>		
As at 1 January	<b>177,882</b>	119,768
Drawdown	<b>1,741,193</b>	1,293,349
Repayments	<b>(1,723,891)</b>	(1,235,235)
As at 31 December	<b>195,184</b>	177,882
<u>Revolving credit:</u>		
As at 1 January	<b>5,500</b>	9,500
Drawdown	<b>39,660</b>	37,095
Repayments	<b>(35,500)</b>	(41,095)
As at 31 December	<b>9,660</b>	5,500

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 26. SHARE CAPITAL

	<u>Group and Company</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Authorised ordinary shares:		
At beginning of the financial year	-	100,000
Abolishment of the concept of authorised share capital on 31 January 2017	-	(100,000)
At end of the financial year	-	-
Issued and fully paid ordinary shares:		
At beginning of financial year	68,523	68,489
Transfer of share premium as a result of transition to no-par regime on 31 January 2017 (Note a)	-	34
At end of the financial year	68,523	68,523

#### Note a:

The Companies Act, 2016 which came into effect on 31 January 2017, abolished the concept of par or nominal value of share capital. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of the members as a result of this transition.

#### Treasury shares

The cumulative number of shares repurchased as at the reporting date is 13,000 at a total consideration of RM17,936. The average price paid for the shares repurchased is approximately RM1.38 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with the provision Section 127 of the Companies Act, 2016. As treasury shares, the rights attached as to voting, dividends and participation in other distributions are suspended. None of the treasury shares repurchased have been sold as at 31 December 2018.

As at 31 December 2018, the number of outstanding shares in issue after setting off treasury shares of 13,000 (2017: 13,000) against equity is 68,476,200 (2017: 68,476,200).

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **27. COMMITMENTS**

#### **(a) Capital commitments**

The Group has approved but not contracted for capital expenditure in respect of property, plant and equipment for a sum of RM2,874,000 (2017: RM1,996,000).

#### **(b) Non-cancellable operating leases**

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	<u>2018</u>	<u>Group</u> <u>2017</u>
	<u>RM'000</u>	<u>RM'000</u>
Within one year	<b>16,639</b>	9,355
Later than one year and not later than five years	<b>28,266</b>	23,150
Later than five years	<b>5,296</b>	5,513
	<u><b>50,201</b></u>	<u>38,018</u>

The Group leases various warehouses and offices under non-cancellable operating lease agreements. The lease terms are between two and five years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

### **28. MATERIAL LITIGATION**

The Sibü High Court ruled on 13 November 2015 in favour of Eastern Pillars Sdn. Bhd. ("Eastern") and Able Harmony Sdn Bhd ("Able") for claims premised on the alleged negligence of Harrisons Sarawak Sdn. Bhd. ("HSSB"), a wholly-owned subsidiary of the Company, in relation to a fire which occurred on 20 May 2013 in a warehouse rented by HSSB from Able. The damages awarded amounted to RM3,088,000. Subsequently, on 8 December 2015, HSSB filed a notice of appeal while awaiting the written judgement. This amount has been recognised as an expense in the statement of comprehensive income under 'other operating expenses' for the financial year ended 31 December 2015.

On 7 December 2016, the Court of Appeal by unanimous decision allowed the Company's appeal against the decision of the Sibü High Court given on 13 November 2015. Given the above decision, the necessity to pay Able the total sum of RM3.1 million together with cost and interest no longer exist. On 17 February 2017, Able had appealed the case to the Federal Court of Malaysia and filed a Notice of Motion with Affidavit to the Federal Court of Malaysia. HSSB's solicitor serve an Affidavit in opposition.

HSSB was informed by its solicitor on 20 July 2018 that the Federal Court had dismissed the application for leave to appeal to the Federal Court of Eastern and Able on 19 July 2018.

Given the above decision by the Federal Court, the necessity to pay Eastern and Able no longer exist and accordingly, the total sum of RM3.1 million provided previously was reversed under other operating income during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 29. SIGNIFICANT RELATED PARTY DISCLOSURES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions.

(a) Management services rendered by a subsidiary

	Company	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Harrisons Corporate Services Sdn. Bhd.	<u>1,419</u>	<u>1,377</u>

(b) Companies in which certain Directors of the Company and/or close members of the family have substantial financial interest:

	Group		Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
(i) Rental of office space from Sinar Nusantara Sdn. Bhd. #	<u>186</u>	<u>186</u>	<u>41</u>	<u>41</u>

# Directors, Pandjijono Adijanto @ Tan Hong Phang and Mariana Adijanto @ Tan Phwe Leng, and/or close members of the family have substantial financial interests in Sinar Nusantara Sdn. Bhd.

The Directors of the Company, Pandjijono Adijanto @ Tan Hong Phang and Mariana Adijanto @ Tan Phwe Leng, and/or close members of the family have substantial financial interests in Bumi Raya International Holding Company Limited which holds 40.88% (2017: 40.88%) direct interest in the Company.

(c) Key management personnel

	Group		Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Key management:				
- fee and allowance	48	82	-	-
- basic salaries and bonus	4,099	3,665	-	-
- defined contribution retirement plan	628	550	-	-
	<u>4,775</u>	<u>4,297</u>	<u>-</u>	<u>-</u>
Estimated monetary value of benefits-in-kind	<u>173</u>	<u>156</u>	<u>40</u>	<u>40</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 29. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management personnel (continued)

Key management personnel of the Company refers to the Executive Directors of the Company and certain senior management.

Included in the key management compensation are Directors' remuneration as disclosed in Note 9 to the financial statements.

There are no outstanding receivables from close family members of key management personnel nor any payables outstanding to entities controlled by key management personnel for the current and prior financial year.

### 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's activities are exposed to a variety of financial risks, including foreign currency exchange risk, interest rate risk, price risk, credit risk and liquidity risk. The Group's and the Company's overall financial risk management objectives are to ensure that the Group and the Company create value for the shareholders. Financial risk management is carried out through internal control systems and adherence to the Group's and the Company's financial risk management policies.

(i) Foreign currency exchange risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Company are exposed to foreign currency exchange risk as a result of the foreign currency transactions denominated in currencies other than Ringgit Malaysia.

At the end of the reporting period, the carrying amounts of financial assets and liabilities denominated in currencies other than the functional currency are as follows:

	<u>From USD</u> RM'000	<u>From SGD</u> RM'000	<u>From GBP</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Group</u>					
<u>As at 31 December 2018</u>					
Deposits, cash and bank balances	4,606	4,601	-	18	9,225
Financial assets at FVOCI	717	2,168	-	851	3,746
Financial assets at FVTPL	1,456	-	-	-	1,456
Trade and other receivables	2,045	3,207	1,187	814	7,253
Trade and other payables	-	(3,096)	-	-	(3,096)
	<u>8,824</u>	<u>6,880</u>	<u>1,187</u>	<u>1,683</u>	<u>18,574</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (i) Foreign currency exchange risk (continued)

At the end of the reporting period, the carrying amounts of financial assets and liabilities denominated in currencies other than the functional currency are as follows: (continued)

	<u>From USD</u> RM'000	<u>From SGD</u> RM'000	<u>From GBP</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Group</u>					
<u>As at 31 December 2017</u>					
Deposits, cash and bank balances	1,573	96	-	18	1,687
Available for sale financial assets	3,466	2,345	-	-	5,811
Trade and other receivables	2,139	1,061	1,234	736	5,170
Trade and other payables	(157)	(2,248)	-	-	(2,405)
	<u>7,021</u>	<u>1,254</u>	<u>1,234</u>	<u>754</u>	<u>10,263</u>

#### Company

##### As at 31 December 2018

Financial assets at FVOCI	717	2,168	-	861	3,746
Financial assets at FVTPL	1,456	-	-	-	1,456
Trade and other receivables	2,045	1,095	1,187	814	5,141
	<u>4,218</u>	<u>3,263</u>	<u>1,187</u>	<u>1,675</u>	<u>10,343</u>

##### As at 31 December 2017

Available for sale financial assets	3,466	2,345	-	-	5,811
Trade and other receivables	2,139	1,061	1,234	736	5,170
	<u>5,605</u>	<u>3,406</u>	<u>1,234</u>	<u>736</u>	<u>10,981</u>

The currencies giving rise to this risk are primarily United States Dollar ("USD"), Singapore Dollar ("SGD") and Great Britain Pounds ("GBP")

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (i) Foreign currency exchange risk (continued)

The following table demonstrates the sensitivity of the Group's and the Company's profit after tax and other comprehensive income and equity, to a reasonably possible change in the USD, SGD and GBP exchange rates against the functional currency of the Group and the Company, with all other variables held constant.

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Impact on profit or loss net of tax due to changes in				
- USD by 5%:	<u>308</u>	<u>135</u>	<u>133</u>	<u>81</u>
- SGD by 5%:	<u>179</u>	<u>(41)</u>	<u>42</u>	<u>40</u>
- GBP by 5%:	<u>45</u>	<u>47</u>	<u>45</u>	<u>47</u>
Impact on other comprehensive income net of tax due to changes in				
- USD by 5%	<u>27</u>	<u>267</u>	<u>27</u>	<u>213</u>
- SGD by 5%	<u>82</u>	<u>48</u>	<u>82</u>	<u>129</u>
- GBP by 5%	<u>-</u>	<u>47</u>	<u>-</u>	<u>47</u>

#### (ii) Interest rate risk

Interest rate risk is the risk that future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises primarily from borrowings issued at floating rates and short term deposits. The Group and the Company do not enter into any financial instruments to hedge movements in interest rates as the risk is deemed to be insignificant.

A reasonable change in the interest rates would not result in a material impact to the Group's results for the financial year.



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

#### **(iii) Price risk**

Price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and the Company are exposed to equity price risk arising from its investment in quoted shares. These quoted shares are listed on Stock Exchanges of Malaysia, Singapore, Europe, Russia and United States and are classified as FVOCI (2017: Available-for-sale financial assets).

At the end of the reporting period, if the share price of the marketable securities had been 2% higher/lower, with all other variables held constant, the Group's and Company's other reserves would have been RM534,000 and RM526,000 (2017: RM559,000 and RM547,000) higher/lower respectively, arising as a result of an increase/decrease in the fair value of these marketable securities.

#### **(iv) Credit risk**

Financial assets that potentially subject the Group's exposure to credit risk arise mainly from cash and cash equivalents, deposits with financial institutions and contractual cash flows of debt instruments carried at amortised cost and FVTPL.

##### **(a) Risk management**

Credit risk with respect to receivables are limited as the Group and the Company do not have any significant exposure to any individual customer or counterparty. The Group and the Company's credit risks are minimised through effective monitoring of receivables and suspension of sales to customers whose accounts exceed the stipulated credit terms. Credit limits are set and credit history is reviewed to minimise potential losses.

The Group's cash and cash equivalents, deposits with financial institutions and debt instruments carried at FVTPL are placed with creditworthy financial institutions and the risks arising thereof are minimised in view of the financial strength of these financial institutions.

The Company also provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly. As at end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. There was no indication that the loans and advances to the subsidiaries are not recoverable.

##### **(b) Impairment of financial assets**

The Group and the Company have three types of financial instrument that are subject to the expected credit loss model:

- Trade receivables from goods sold or services performed
- Other receivables
- Amounts due from subsidiaries

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

(iv) Credit risk (continued)

(b) Impairment of financial assets (continued)

While cash and cash equivalents are also subject to the impairment of MFRS 9, the identified impairment loss was immaterial.

Trade receivables using simplified approach

The Group applies the simplified approach under MFRS 9 to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected losses, trade receivables have been grouped based on shared credit risk characteristics and days past due.

The expected loss rates are based on historical payment profiles of sales and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the consumer price index of the country in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. No significant changes to estimation techniques or assumptions were made during the reporting period.

In respect of the previous financial years, the impairment of trade receivables was assessed based on incurred loss model. Individual receivables were assessed to determine whether there was objective evidence that a loss-event had occurred. Information in respect of the allowance for impairment loss is disclosed in Note 22.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

(iv) Credit risk (continued)

(b) Impairment of financial assets (continued)

#### Other receivables and amounts due from subsidiaries

The Group and the Company use four categories to reflect their credit risk and how the loss allowance is determined for other receivables and amounts due from subsidiaries which are subject to expected credit losses under the 3-stage general approach. A summary of the assumptions which underpin the expected credit losses model is as follows:

<b>Category</b>	<b>Company's definition of category</b>	<b>Basis for recognising ECL</b>
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows.	12 month ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/or principal repayments are past due.	Lifetime ECL
Non-performing	Interest and/or principal repayments are 90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.	Asset is written off

Information in respect of the allowance for impairment loss for trade and other receivables is disclosed in Note 22.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

(iv) Credit risk (continued)

(b) Impairment of financial assets (continued)

#### Maximum exposure to credit risk

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets:

<b>31 December 2018</b>	<b>Current</b>	<b>More than 30 days past due</b>	<b>More than 60 days past due</b>	<b>More than 90 days past due</b>	<b>Total</b>
Expected loss rate	1%	2%	4%	39%	12%
Gross carrying amount – trade receivables	105,970	93,729	45,096	87,103	331,898
Loss allowance	(1,551)	(1,971)	(1,783)	(33,899)	(39,204)
Carrying amount (net of loss allowance)	104,419	91,758	43,313	53,204	292,694

The ECL exposure to other receivables is immaterial to the financial statements as a whole. The amounts due from subsidiaries are repayable on demand. Hence, ECL are based on the assumption that repayment of loans is demanded at the reporting date, with short contractual period for payment. In the case of the Company, the subsidiaries have sufficient assessable highly liquid assets to repay the balances if demanded at the reporting date. Therefore, the ECL is likely to be immaterial with probability of default close to 0%.

#### Financial guarantee contracts

The Company provides unsecured financial guarantees to banks and trade payables in respect of banking facilities and credit limits granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

The maximum exposure to credit risk amounts to RM101.1 million representing the financial guarantee contracts issued by the Company in respect of the outstanding banking facilities and trade payables of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment. Accordingly, the financial guarantee contracts are categorised under the performing category.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Credit risk (continued)

(c) Fixed deposits and deposits held at call with licensed banks

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>Deposits, cash and bank</u>				
<u>balances</u>				
Counterparties with external				
credit rating:				
- AAA	64,129	65,222	19,152	18,050
- AA	21,937	28,246	1	130
- A+	613	1,296	-	-
	<u>86,679*</u>	<u>94,764*</u>	<u>19,153</u>	<u>18,180</u>

\*excludes cash in hand of the Group amounting to RM70,000 (2017: RM53,000).

(v) Liquidity risk

The Group and the Company actively manage their operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of their overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash to meet their working capital requirements. The Group and the Company aim at maintaining flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(v) Liquidity risk (continued)

The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount RM'000	Contractual undiscounted cash flows due within 1 year RM'000
<u>At 31 December 2018</u>		
<u>Group</u>		
Trade and other payables	192,349	192,349
Borrowings	205,240	206,718
	<u>397,589</u>	<u>399,067</u>
<u>Company</u>		
Trade and other payables	753	753
Financial guarantee contracts:		
- given to financial institutions for the subsidiaries' bank borrowings	-	75,611
- given to trade payables of the subsidiaries	-	25,514
	<u>753</u>	<u>101,878</u>
<u>At 31 December 2017</u>		
<u>Group</u>		
Trade and other payables	168,923	168,923
Borrowings	187,878	189,414
	<u>356,801</u>	<u>358,337</u>
<u>Company</u>		
Trade and other payables	691	691
Financial guarantee contracts:		
- given to financial institutions for the subsidiaries' bank borrowings	-	22,747
- given to trade payables of the subsidiaries	-	11,670
	<u>691</u>	<u>35,108</u>

The Company has issued certain corporate guarantees for the benefit of its subsidiaries. The management has exercised judgement in establishing the view that the chances of these being called upon are remote, and that there is no fair value accreting to the guarantor or the beneficiaries.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

### **30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

(vi) Fair value estimation

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Other than financial assets at FVOCI and FVTPL (2017: Available-for-sale financial assets), the carrying values of trade and other receivables, trade and other payables, borrowings and deposits, cash and bank balances, approximate their fair values as at the reporting date. The Group and the Company measure the financial assets at FVOCI and FVTPL (2017: Available-for-sale financial assets) as Level 1 in the fair value hierarchy of MFRS 13.

### **31. CAPITAL RISK MANAGEMENT**

The Group's and the Company's objectives when managing capital are to ensure that the Group and the Company continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Capital structure represents the Group's and the Company's ordinary shares and retained earnings.

The Group and the Company were in compliance with financial debt covenants imposed by the financial institutions for the financial year ended 31 December 2018 and 2017.

### **32. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 12 April 2019.

## LIST OF PROPERTIES AS AT 31 DECEMBER 2018

Registered Owner	Location	Existing use	Tenure of land	Land area (square metre)	Built-up area/approx. age of building (square metres)	Date of acquisition/ last revaluation	Net book value as at 31.12.2018 RM'000
JWSB	Lot 9, Section 20A, Jalan P. P. Narayanan (Jalan 222) Town of Petaling Jaya, District of Petaling, PJ	Single office Building and single-storey godown	99 years lease expiring on 09.06.2065	6,324.00	2,688.90/ 53 years since 1966	13.03.1986	2,207
JWSB	Unit No. A-7-1, Dua Residency, Jalan Tun Razak, Kuala Lumpur	Condominium	Freehold	2,315.00	12 years Since 2007	27.08.2004	998
HPSB	Lot PTD 19965, Mukim of Pulai, District of Johor Bahru	Three storey corner shophouses	99 years – lease expiring on 29.03.2082	244.24	637.00/ 30 years since 1989	31.12.1990	131
HPSB	Lot No. PT. 4163, Mukim of Kapar, District of Klang, Selangor	2 storey office block with a single storey warehouse	99 years – lease expiring on 09.06.2086	6,066.80	3,042.00/ 37 years since 1982	31.12.1990	1,190
HPSB	Mukim of Kundor, District of Rembau, Negeri Sembilan HS(D)3529-PT655 HS(D)3530-PT656 HS(D)3549-PT675 HS(D)3588-PT714	Vacant Land	Freehold	- 4,378.69 4,823.84 4,075.18 4,050.90	-	26.08.2003	328
HSarawak	Lot 16, Section 22 Kuching Town Land District	2 storey office block with 2, adjoining warehouse	853 years – lease expiring on 31.12.2790	5,666.00	2,084.31/ 33 years	31.12.1990	1,113
HSabah	H.S (D) No 9914 P.R No. 13789, Mk Bentong, Daerah Bentong, Ng Pahang Lot A322 Tanarimba Janda Baik, Pahang	Two storey Bungalow	99 years lease expiring on 08.09.2095	5,018.83	-	26.03.2008	706
HSabah	Kota Kinabalu Town Lease No. 017503856	3 storey office building	999 years – lease expiring on 23.04.2910	929.00	2,092.45/ 58 years	07.05.1990	3,350
HSabah	Kota Kinabalu Town Lease No. 017511661	2 storey office building	99 years – lease expiring on 26.02.2089	445.92	463.77/ 48 years	07.05.1990	699
HSabah	Likas Industrial Estate Kota Kinabalu, Country Lease No. 015358871	2 storey godown	60 years - lease expiring on 31.12.2028	3,685.46	2,498.99/ 33 years	07.05.1990	84
HSabah	Jalan Istana Town Lease No. 017964260 and 017503141	2 storey bungalow	999 years lease expiring on 12.07.2909 for TL 017964260 99 years lease expiring on 22.07.2053 for TL 017503141	8,297.91	376.44/ 62 years	07.05.1990	703



## LIST OF PROPERTIES AS AT 31 DECEMBER 2018 (CONTINUED)

Registered Owner	Location	Existing use	Tenure of land	Land area (square metre)	Built-up area/approx. age of building (square metres)	Date of acquisition/ last revaluation	Net book value as at 31.12.2018 RM'000
HSabah	Sandakan Town Lease No. 077504182	3 storey office building	999 years lease expiring on 18.02.2915	925.40	1,309.37/ 60 years	07.05.1990	2,100
HSabah	Sandakan Town Lease No. 077544220	Single storey godown	999 years lease expiring on 30.06.2911	5,989.35	2,090.32/ 33 years	07.05.1990	1,771
HSabah	Tawau Town Lease No. 107504521	2 storey office building cum car showroom	99 years lease expiring on 06.04.2054	929.00	1,039.00/ 33 years	07.05.1990	862
HSabah	Tawau CL105498224	Warehouse	99 years lease expiring on 31.10.2050	6,947.06	2,322.50/ 33 years	30.09.2004	1,104
HSabah	Jalan Merdeka, Labuan Grant No. 207503857	2 storey office building with a godown	999 years lease expiring on 30.06.2901	2,136.77	738.20/ 60 years	07.05.1990	1,787
HSabah	Jalan Merdeka, Labuan Grant No. 207503866	Temporary open space storage	99 years expiring on 27.02.2051	3,530.32	-	07.05.1990	1,350
HSabah	Lahad Datu TL 117508559	Warehouse	99 years lease expiring on 26.01.2066	6,377.86	2,136.70/ 33 years	31.12.1999	1,145
HSabah	Labuan Suburban Grant No. 346	Vacant Land	999 years lease expiring on 03.11.2880	8,862.61	-	14.11.2003	1
HSabah	Labuan Suburban Grant No. 347	Vacant Land	999 years lease expiring on 01.02.2854	10,440.89	-	14.11.2003	1
Famous Amos	Ubi Techpark, Singapore	Office and factory area	60 years lease expiring on 04.07.2057	372.00	372.00/ 39 years	9.4.2018	5,132

**Abbreviation:**

JWSB	:	J. Whyte (Malaysia) Sdn. Bhd.
HPSB	:	Harrisons Peninsular Sdn. Bhd.
HSabah	:	Harrisons Sabah Sdn. Bhd.
HSarawak	:	Harrisons Sarawak Sdn. Bhd.
Famous Amos	:	The Famous Amos Chocolate Chip Cookie Singapore Pte. Ltd.

## Analysis of Shareholdings as at 28 March 2019

Issued & fully paid-up capital	-	68,489,200 ordinary shares (inclusive of 13,000 treasury shares)
Class of shares	-	Ordinary shares
No. of shareholders	-	1,747
Voting right	-	One (1) vote per ordinary share

### LIST OF SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

Names	Direct Interest		Indirect Interest	
	No. of Shares	% ^	No. of Shares	% ^
1. Bumi Raya International Holding Company Limited	28,005,231 <sup>1</sup>	40.89	987,000 <sup>+</sup>	1.44
2. Dunway Holding Limited	4,580,817 <sup>2</sup>	6.69	2,522,300*	3.68

1. Bumi Raya International Holding Company Limited held through:

**No. of shares**

- DB (Malaysia) Nominee (Asing) Sdn. Bhd.  
*Exempt An for Deutsche Bank AG Singapore (Asing WM CLT)* 20,005,231
- Maybank Securities Nominees (Asing) Sdn. Bhd.  
*Pledged Securities Account for Bumi Raya International Holding Co Ltd* 8,000,000

**28,005,231**

2. Dunway Holding Limited held through:

**No. of shares**

- Citigroup Nominees (Asing) Sdn. Bhd.  
*Exempt An for UBS AG Singapore (Foreign)* 4,580,817

**Notes:**

- <sup>^</sup> Excluding 13,000 Harrisons Shares bought back by Harrisons and retained as treasury shares.
- <sup>+</sup> Deemed interested through Jantoco Holdings Sdn. Bhd. by virtue of Section 8 of the Companies Act 2016.
- <sup>\*</sup> Deemed interested through Jantoco Properties Sdn. Bhd. by virtue of Section 8 of the Companies Act 2016.

## Analysis of Shareholdings as at 28 March 2019 (CONTINUED)

### **DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS'S SHAREHOLDINGS**

Names	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
1. Pandijiono Adijanto @ Tan Hong Phang	89,000	0.13	-	-
2. Chan Poh Kim	9,000	0.01	-	-
3. Mariana Adijanto @ Tan Phwe Leng	9,000	0.01	-	-
4. Wong Yoke Kong	169,000	0.25	-	-
5. Foo Chow Luh	154,000	0.22	-	-
6. Chong Chee Fire	150,000	0.22	-	-

### **DISTRIBUTION OF SHAREHOLDINGS**

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	43	2.46	688	0.00
100 – 1,000	539	30.85	463,857	0.68
1,001 – 10,000	902	51.63	3,781,855	5.52
10,001 – 100,000	224	12.82	6,250,208	9.13
100,001 - Less than 5% of issued shares	34	1.95	15,610,544	22.79
5% and Above of Issued shares	5	0.29	42,382,048	61.88
	1,747	100.00	68,489,200	100.00

## Analysis of Shareholdings as at 28 March 2019 (CONTINUED)

### **THIRTY (30) LARGEST SECURITIES HOLDERS (WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME REGISTERED HOLDER)**

	Name	No. of Shares Held	%
1.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Exempt An for Deutsche Bank AG Singapore (Asing WM CLT)	22,005,231	32.13
2.	Maybank Securities Nominees (Asing) Sdn. Bhd. Pledged Securities Account for Bumi Raya International Holding Company Limited (39B)	8,000,000	11.68
3.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt An for UBS AG Singapore (Foreign)	4,580,817	6.69
4.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt An for OCBC Securities Private Limited (Client A/C-NR)	4,328,000	6.32
5.	UOB Kay Hian Nominees (Asing) Sdn. Bhd. Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	3,468,000	5.06
6.	Citigroup Nominees (Asing) Sdn. Bhd. UBS AG Singapore for Tektron Holdings Ltd	2,600,000	3.80
7.	Jantoco Properties Sdn. Bhd.	2,522,300	3.68
8.	Mohamed Nazri Bin Abdul Aziz	1,940,600	2.83
9.	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt An for DBS Bank Ltd (SFS-PB)	1,134,600	1.66
10.	Jantoco Holdings Sdn. Bhd.	987,000	1.44
11.	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt An for DBS Bank Limited (SFS)	692,100	1.01
12.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledge Securities Account for Lim Kuan Gin	622,700	0.91
13.	Lim Ah Hua	492,900	0.72
14.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Deutsche Bank AG Singapore for Yeoman 3-Rights Value Asia Fund (PTSL)	400,000	0.58
15.	Public Invest Nominees (Asing) Sdn. Bhd. Exempt An for Phillip Securities Pte Ltd (Clients)	339,800	0.50
16.	Teuh Chin Yap	323,000	0.47

## **Analysis of Shareholdings as at 28 March 2019 (CONTINUED)**

17.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An for Bank Julius Baer & Co. Ltd. (Singapore BCH)	300,000	0.44
18.	Cimsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Tuan Phin (Jalan Dedap – CL)	259,700	0.38
19.	Teo Kock Sei	253,500	0.37
20.	Affin Hwang Nominees (Asing) Sdn. Bhd. Exempt An for DBS Vickers Securities (Singapore) Pte Ltd (Clients)	190,000	0.28
21.	Wong Yoke Kong	169,000	0.25
22.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ling Hew Teng (E-BTL)	168,444	0.25
23.	HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Soo Sie	168,300	0.25
24.	General Technology Sdn. Bhd.	167,900	0.25
25.	Ng Su Peng	167,500	0.24
26.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Kong Hwee (E-KPG/SGK)	164,500	0.24
27.	Foo Chow Luh	154,000	0.22
28.	Chong Chee Fire	150,000	0.22
29.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lee Kin Kheong (E-IMO)	141,700	0.21
30.	Lim Wee Chin	121,900	0.18
		<u>57,013,492</u>	<u>83.25</u>

## NOTICE OF 29TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Ninth (29th) Annual General Meeting of Harrisons Holdings (Malaysia) Berhad ("the Company") will be held at Dewan Raja Laut, Summit Hotel KL City Centre, No. 12, Jalan Raja Laut, 50750 Kuala Lumpur on Wednesday, 19 June 2019 at 10:30 a.m. for the purpose of considering the following businesses:-

### AGENDA

#### As Ordinary Business:

- |   |   |
|---|---|
| 1. To lay the Audited Financial Statements for the financial year ended 31 December 2018 and the Reports of the Directors and Auditors thereon.   | <b>(Please refer to Explanatory Note)</b> |
| 2. To declare the final single-tier dividend of 20 cents per ordinary share for the financial year ended 31 December 2018.  | <b>Ordinary Resolution 1</b>              |
| 3. To re-elect the following Directors who are retiring by rotation in accordance with Article 76 of the Company's Constitution:  |   |
| (i) Ms Mariana Adijanto @ Tan Phwe Leng   | <b>Ordinary Resolution 2</b>              |
| (ii) Mr Foo Chow Luh  | <b>Ordinary Resolution 3</b>              |
| 4. To approve the payment of Directors' fees of RM409,000 for the financial year ended 31 December 2018.  | <b>Ordinary Resolution 4</b>              |
| 5. To approve the payment of Directors' remuneration (excluding Directors' Fees) payable to the Non- Executive Directors of the Company amounting to RM12,500 for the financial period from 20 June 2019 until the next Annual General Meeting. | <b>Ordinary Resolution 5</b>              |
| 6. To re-appoint Messrs. PricewaterhouseCoopers PLT as the Auditors of the Company and to authorise the Directors to fix their remuneration.  | <b>Ordinary Resolution 6</b>              |

#### As Special Business:

To consider and if thought fit, pass the following Ordinary / Special Resolutions with or without modifications:

- |  |                              |
|--|------------------------------|
| 7. AUTHORITY TO ISSUE AND ALLOT SHARES   | <b>Ordinary Resolution 7</b> |
| <p>"THAT subject to Section 75 of the Companies Act 2016 and approvals of the relevant governmental / regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company pursuant to Section 76 of the Companies Act 2016."</p> |                              |

## **NOTICE OF 29TH ANNUAL GENERAL MEETING (CONTINUED)**

8. CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR - MR WONG YOKE KONG **Ordinary Resolution 8**
- “THAT authority be and is hereby given to Mr Wong Yoke Kong who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue act as Independent Non-Executive Director of the Company.”
9. CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR - MR FOO CHOW LUH **Ordinary Resolution 9**
- “THAT subject to approval of the shareholders on Ordinary Resolution 3, authority be and is hereby given to Mr Foo Chow Luh who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue act as Independent Non-Executive Director of the Company.”
10. CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR - MR CHONG CHEE FIRE **Ordinary Resolution 10**
- “THAT authority be and is hereby given to Mr Chong Chee Fire who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue act as Independent Non-Executive Director of the Company.”
11. PROPOSED ADOPTION OF NEW COMPANY’S CONSTITUTION **Special Resolution 1**
- “THAT the existing Memorandum and Articles of Association of the Company be hereby deleted in its entirety and a new Constitution, marked as “Appendix A” (a copy of which is attached) be replaced thereof and adopted as the Company’s Constitution.
- THAT henceforth, the Constitution shall bind the Company, the members and the Directors to the same extent as if the Constitution had been signed and sealed by each member and contain covenants on the part of each member and Director to observe all the provisions of the Constitution.
- AND THAT the Secretaries be authorised and instructed to do all the necessary and deemed fit to lodge the Constitution as adopted herewith with the Companies Commission of Malaysia on behalf of the Company in accordance with Section 36 of the Companies Act 2016.”
12. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016.

## **NOTICE OF 29TH ANNUAL GENERAL MEETING (CONTINUED)**

### **NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT**

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of the shareholders at the Twenty-Ninth (29th) Annual General Meeting, a final single-tier dividend of 20 cents per ordinary share in respect of the financial year ended 31 December 2018, if approved, will be payable on 12 July 2019 to shareholders whose names appear in the Record of Depositors on 28 June 2019.

A depositor shall qualify for entitlement to the dividend only in respect of:-

- a) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 28 June 2019 in respect of transfers; and
- b) Securities bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of the Bursa Securities.

### **BY ORDER OF THE BOARD**

**LOW KONG CHOON (MAICSA 0818548)**

**TAN KOK SIONG (LS0009932)**

**TAN BEE HWA (MAICSA 7058049)**

*Company Secretaries*

Kuala Lumpur  
30th day of April 2019

### **NOTES:-**

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his proxy without restriction as to the qualification of the proxy. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.*
2. *A member shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his shareholdings to be represented by each proxy.*
3. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, such member may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act.*
5. *If no name is inserted in the space provided for the name of your proxy, the Chairman of the meeting will act as your proxy.*
6. *The instrument appointing a proxy must be deposited at the registered office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*



## **NOTICE OF 29TH ANNUAL GENERAL MEETING (CONTINUED)**

7. *If the appointer is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of an officer or attorney.*
8. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 54(c) of the Constitution of the Company, a Record of Depositors as at 12 June 2019 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.*
9. **Explanatory notes on Ordinary and Special Business**

### **Item 1 of the Agenda**

#### **Audited Financial Statements for the financial year ended 31 December 2018**

The Audited Financial Statements under this agenda item is meant for discussion only as the provision of Section 248 and Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders and hence this item is not put forward for voting.

### **Ordinary Resolution 5**

#### **Payment of Directors' remuneration (excluding Directors' Fee) and benefits payable to the Board of the Company and its subsidiaries**

Pursuant to Section 230(1) of the Companies Act 2016, the fee of the Directors, and any benefits payable to the Directors including any compensation for loss of employment of a director or former director of a public company or a listed company and its subsidiaries, shall be approved at a general meeting.

In this respect, the Board agreed that the shareholders' approval shall be sought at the Twenty-Ninth (29th) Annual General Meeting on the Directors' remuneration (excluding the Directors' fee) payable to the Directors of the Company and its subsidiaries for the financial period from 20 June 2019 until the next Annual General Meeting ("Relevant Period").

- \* The Directors' remuneration (excluding Directors' fee) comprises the allowances and other emoluments payable to the Directors as set out below:

<b>Description</b>	<b>Directors (RM)</b>
Meeting Allowance	12,500

In determining the estimated total amount of the directors' remuneration (excluding Directors' fee), the Board considered various factors including the number of scheduled meetings for the Board and Board Committees as well as the number of Directors involved in these meetings.

Payment of Directors' remuneration (excluding Directors' fee) will be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred if the proposed Resolution 5 has been passed at the Twenty-Ninth (29th) Annual General Meeting. The Board is of the view that it is just and equitable for the Directors to be paid the Directors' remuneration (excluding Directors' fee) on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the Relevant Period.

## **NOTICE OF 29TH ANNUAL GENERAL MEETING (CONTINUED)**

### **Ordinary Resolution 7** **Authority to Issue and Allot Shares**

The proposed Ordinary Resolution 7, if passed, will empower the Directors from the date of this Annual General Meeting, to issue and allot up to a maximum of 10% of the total number of issued shares of the Company for the time being for such purposes as they consider would be in the best interests of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

The renewal of the General Mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval as to avoid incurring additional cost and time. The proceeds raised from the General Mandate will provide flexibility to the Company for any possible fund-raising activities, including but not limited to further placing of shares, for purposes of funding future investment project(s), working capital and/or acquisitions(s).

The previous mandate was not utilised and accordingly no proceeds were raised.

### **Ordinary Resolution 8 to Ordinary Resolution 10** **Continuing in office as Independent Non-Executive Directors**

The Nomination Committee has assessed the independence of Mr Wong Yoke Kong, Mr Foo Chow Luh and Mr Chong Chee Fire, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years, and recommended them to continue act as Independent Non-Executive Directors of the Company based on the following justifications:-

- a. they have fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, they would able to function as a check and balance, bring an element of objectivity to the Board;
- b. their vast experience in the fast moving consumer goods industry would enable them to provide the Board with a diverse set of experience, expertise and independent judgement to better manage and run the Group;
- c. they have been with the Company for more than nine (9) years and were familiar with the Company's business operations;
- d. they have devoted sufficient time and attention to their professional obligations for informed and balanced decision making; and
- e. they have exercised their due care during their tenure as Independent Non-Executive Directors of the Company and carried out their professional duties in the interest of the Company and shareholders.

Retention of and independent Director above 9 years will require shareholders' approval, whereas retention of an independent Director above 12 years will require shareholders' approval through the two-tier voting process:-

Tier 1: Voting by large shareholders; and  
Tier 2: Voting by other shareholders.

Thus, the shareholders' approval for Ordinary Resolution 8 will be sought on a single tier voting basis, while Ordinary Resolutions 9 and 10 will be sought on two-tier voting basis.

The proposed Ordinary Resolutions 8 to 10, if passed, will allow the Independent Directors to be retained and continue acting as Independent Directors to fulfil the requirements of Paragraph 3.04 of the Main Market Listing Requirements and in line with the recommendation No. 4.2 of the Malaysian Code on Corporate Governance 2017.



## NOTICE OF 29TH ANNUAL GENERAL MEETING (CONTINUED)

### **Special Resolution 1**

#### **Adoption of New Company's Constitution**

The proposed Special Resolution is to seek shareholders' approval to adopt a new Constitution to align with the provisions of the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Corporate Governance Requirements ("Proposed New Constitution"). Please refer to the Appendix A for detailed information on the Proposed New Constitution.

The Proposed New Constitution shall take effect once the proposed Special Resolution 1 has been passed by a majority of not less than 75% of members who are entitled to vote and do vote in person or by proxy at the Twenty-Ninth (29th) Annual General Meeting.

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**HARRISONS HOLDINGS (MALAYSIA) BERHAD**  
(COMPANY NO. 194675-H)  
(INCORPORATED IN MALAYSIA)

**FORM OF PROXY**

\* I/We .....  
NRIC/ Passport No./ Company No. .... of .....  
being a Member(s) of **HARRISONS HOLDINGS (MALAYSIA) BERHAD (COMPANY NO. 194675-H)**, hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)
<b>*And/or (delete as appropriate)</b>			

or failing him/her, #THE CHAIRMAN OF THE MEETING as \*my/our proxy to vote for \*me/us on \*my/our behalf at the Twenty-Ninth (29th) Annual General Meeting of the Company to be held at Dewan Raja Laut, Summit Hotel KL City Centre, No. 12, Jalan Raja Laut, 50750 Kuala Lumpur on Wednesday, 19 June 2019 at 10:30 a.m. or at any adjournment thereof and to vote as indicated below:

No.	Agenda		For	Against
1	To approve Final Single-Tier Dividend	Ordinary Resolution 1		
2	To re-elect Ms Mariana Adjianto @ Tan Phwe Leng as a Director	Ordinary Resolution 2		
3	To re-elect Mr Foo Chow Luh as a Director	Ordinary Resolution 3		
4	To approve the payment of Directors' fees for the financial year ended 31 December 2018	Ordinary Resolution 4		
5	To approve the payment of Directors' remuneration (excluding Directors' Fees) payable to the Non-Executive Directors	Ordinary Resolution 5		
6	To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company	Ordinary Resolution 6		
7	Authority to Issue and Allot Shares	Ordinary Resolution 7		
8	Continuing in Office as Independent Non-Executive Director - Mr Wong Yoke Kong	Ordinary Resolution 8		
9	Continuing in Office as Independent Non-Executive Director - Mr Foo Chow Luh	Ordinary Resolution 9		
10	Continuing in Office as Independent Non-Executive Director - Mr Chong Chee Fire	Ordinary Resolution 10		
11	Proposed Adoption of new Company's Constitution	Special Resolution 1		

Mark either box if you wish to direct the proxy how to vote. If no mark is made, the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two proxies and wish them to vote differently this should be specified.

# If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting" and insert the name(s) of the person(s) desired.  
\* Delete if not applicable.

Signed this..... day of ..... 2019.

<b>Number of Shares Held</b>	
<b>CDS Account No.</b>	
<b>Telephone No.</b>	

.....  
Signature / Common Seal of Shareholder

**Notes:**

- A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his proxy without restriction as to the qualification of the proxy. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
- A member shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his shareholdings to be represented by each proxy.
- Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, such member may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act.
- If no name is inserted in the space provided for the name of your proxy, the Chairman of the meeting will act as your proxy.
- The instrument appointing a proxy must be deposited at the registered office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
- If the appointer is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of an officer or attorney.
- For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 54(c) of the Constitution of the Company, a Record of Depositors as at 12 June 2019 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.

Affix Stamp

The Company Secretaries

**HARRISONS HOLDINGS (MALAYSIA) BERHAD (194675-H)**

10th Floor, Menara Hap Seng  
No. 1 & 3, Jalan P. Ramlee  
50250 Kuala Lumpur



# **HARRISONS HOLDINGS (MALAYSIA) BERHAD**

**(Company No.: 194675-H)**

**[Incorporated in Malaysia under the Companies Act 1965  
and deemed registered under the Companies Act 2016]**

## **Appendix A**

### **Proposed New Constitution**

This is the Appendix A referred to in Agenda No. 11 of the Notice of Twenty-Ninth Annual General Meeting ("29th AGM") of Harrisons Holdings (Malaysia) Berhad dated 30 April 2019.

Date and Time of the 29th AGM : Wednesday, 19th day of June 2019 at 10:30 a.m.

Venue of the 29th AGM : Dewan Raja Laut  
Summit Hotel KL City Centre  
No. 12, Jalan Raja Laut  
50750 Kuala Lumpur

Company No.: 194675-H

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THE COMPANIES ACT 2016  
MALAYSIA

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PUBLIC COMPANY LIMITED BY SHARES

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**CONSTITUTION**

**OF**

**HARRISONS HOLDINGS (MALAYSIA) BERHAD**  
Company No.: 194675-H

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Incorporated on 9<sup>th</sup> day of March 1990

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Company No.: 194675-H

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**THE COMPANIES ACT 2016**  
**PUBLIC COMPANY LIMITED BY SHARES**  
**CONSTITUTION**  
**OF**  
**HARRISONS HOLDINGS (MALAYSIA) BERHAD**

- |    |  |   |
|----|--|---|
| 1. | The name of the Company is <b>HARRISONS HOLDINGS (MALAYSIA) BERHAD</b> .   | Name                                      |
| 2. | The registered office of the Company will be situated in Malaysia.   | Registered Office                         |
| 3. | The Company shall have full capacity, rights and power as contained in Section 21 of the Companies Act 2016.   | Objects of the Company and Third Schedule |
|    | The provisions set out in the Third Schedule of the Companies Act 2016 shall apply to the Company, except in so far as the same is repeated or contained in this Constitution.   |   |
| 4. | The liability of the Members is limited.   | Liability of Members                      |
| 5. | The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred, qualified or other special rights, privileges, conditions or restrictions as to dividend, capital, voting or otherwise. | Shares Capital                            |

***Definitions and Interpretation***

Definitions

- |    |     |   |
|----|-----|---|
| 6. | 6.1 | <p>In this Constitution, unless the subject matter or context dictates otherwise, the following words and phrases shall have the meaning assigned to them herein:-</p> <p>"Act" means the Companies Act 2016 and any statutory modification, amendment or re-enactment thereof and any and every other legislation for the time being in force made thereunder and any written law for the time being in force concerning companies and affecting the Company.</p> <p>"Authorised Nominee" means an authorised nominee defined under the Central Depositories Act.</p> <p>"Board" means the Board of Directors for the time being of the Company.</p> <p>"Central Depositories Act" means the Securities Industry (Central Depositories) Act, 1991, as it may be amended, modified or re-enacted from time to time.</p> <p>"Chief Executive Officer" means the principal executive officer of the Company for the time being, by whatever name called, and whether or not he is a director.</p> <p>"Clause" means a clause contained in this Constitution as originally framed or as altered from time to time by special resolution.</p> <p>"Company" means HARRISONS HOLDINGS (MALAYSIA) BERHAD.</p> <p>"Deposited Security" means a Security standing to the credit of a Securities Account and includes a Security in a Securities Account that is in suspense.</p> |
|----|-----|---|

"Depositor" means a holder of Securities Account.

"Depository" means Bursa Malaysia Depository Sdn. Bhd.

"Directors" means the Directors for the time being of the Company.

"Dividend Reinvestment Scheme" means a scheme which enables members to reinvest cash dividend into new shares.

"Documents" means any documents required to be sent under the Listing Requirements to the securities holders.

"Electronic Address" means any address or number used for the purpose of sending or receiving documents or information by electronic means.

"Electronic Communication" means a document or information is sent or supplied by electronic communication if it is sent initially and received at its destination by means of electronic equipment for the processing (which expression includes digital compression) or storage of data, and entirely transmitted, conveyed and received by wire, by radio, by optical means or by other electromagnetic means.

"Electronic Form" means document or information sent or supplied in electronic form are those sent by "electronic communication" or by any other means while in an electronic form (for example sending an electronic copy (CD-ROM) by post) whereby a recipient of such document or information would be able to retain a copy.

"Exchange" means Bursa Malaysia Securities Berhad.

"Exempt Authorised Nominee" means an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.

"Listed" means admitted to the Official List and not removed, and "listing" shall be construed accordingly.

"Listing Requirements" means the Listing Requirements of the Exchange as it may be modified or amended from time to time.

"Market Day" means any day on which the stock market of the Exchange is open for trading in Securities.

"Member(s)" means any person(s) whose name(s) is/are entered in the Company's Register of Members, including Depositors whose names appear on the Record of Depositors except the Depository.

"Month" means calendar month.

"Office" means the registered office of the Company.

"Record of Depositors" means the record provided by the Depository to the Company pursuant to an application under the Rules.

"Rules" means the Rules of the Depository and any appendices thereto as they may be amended or modified from time to time.

"Seal" means the Common Seal of the Company.

"Secretary" means any person or persons appointed to perform the duties of the secretary of the Company and shall include a joint, temporary, assistant or deputy secretary.

"Securities Account" means an account established by the Depository for a Depositor for the recording of deposit of Securities and for dealing in such Securities by the Depositor.

"Securities" means securities as defined in Section 2 (1) of the Capital Markets and Services Act 2007 or any modification, amendment or reenactment thereof for the time being in force.

"Share Issuance Scheme" means a scheme involving a new issuance of shares to the employees.

"Share Seal" means the share seal of the Company.

"Shares" means issued share capital of a corporation and includes stock except where a distinction between stock and shares is expressed or implied.

"Statutes" means the Act, the Central Depositories Act and every other Ordinance or Act for the time being in force concerning companies and affecting the Company.

"Stock Exchange" means the Exchange and/ or such other stock exchange on which the Company's Securities are quoted.

The expressions "debenture" and "debenture-holder" shall include "debenture-stock" and "debenture-stockholder".

6.2 In this Constitution, unless there is something in the subject or context inconsistent with such construction or unless it is otherwise expressly provided:- Interpretation

6.2.1 reference to "writing" shall, unless the contrary intention appears, be construed as including references to printing, lithography, photography and other modes of representing or reproducing words in a visible form;

6.2.2 words denoting the singular number only shall include the plural number and vice versa and words importing the masculine gender only shall include the feminine and neuter genders and the word "person" shall include a corporation;

6.2.3 words importing persons shall include corporations;

6.2.4 any reference to a statutory provision includes any modification, consolidation or re-enactment thereof for the time being in force, and all statutory instruments or orders made pursuant thereto; and

6.2.5 save as aforesaid, words or expressions contained in this Constitution shall be interpreted in accordance with the provisions of the Interpretation Acts, 1948 and 1967, as amended from time to time and any re-enactment thereof.

6.3 The side notes are inserted for convenience only and shall not affect the construction of this Constitution.

### **Shares**

7. Without prejudice to any special rights previously conferred on the holders of any shares or class of shares, and subject to the provisions of the Act and the Listing Requirements and to the conditions, restrictions and limitations expressed in this Constitution, the Directors may allot shares or grant rights to Allotment and Issuance of Shares, etc.

subscribe for or otherwise dispose of the unissued shares in the Company to such persons, at such time and on such terms and conditions, with such preferred or deferred or other special rights, as they think proper, PROVIDED ALWAYS THAT:-

- 7.1 no shares shall be issued which shall have the effect of transferring a controlling interest in the Company without the prior approval of the Members in general meeting;
  - 7.2 in the case of shares other than ordinary shares, no special rights shall be attached until the same have been expressed in the resolution creating them;
  - 7.3 every issue of shares or options to employees and/or Directors and/or Chief Executive Officer shall be approved by the Members in general meeting and:-
    - (a) such approval shall specifically detail the amount of shares of options to be issued to such employees and/or Directors and/or Chief Executive Officer; and
    - (b) a Director not holding office in an executive capacity may so participate in an issue of shares pursuant to a public offer or a public issue.
  - 7.4 in the case of shares offered to the public for subscription, the amount payable on application on each share shall not be less than 5% of the offer price of the share;
  - 7.5 the Company must ensure that all new issues of Securities for which listing is sought are made by way of crediting the Securities Accounts of the allottees with such Securities save and except where it is specifically exempted from compliance with Section 38 of the Central Depositories Act, in which event it shall so similarly be exempted from compliance with this requirement. For this purpose, the Company must notify the Depository of the names of the allottees and all such particulars required by the Depository, to enable the Depository to make the appropriate entries in the Securities Accounts of such allottees;
  - 7.6 the Company must allot and issue Securities, despatch notices of allotment to the allottees and make an application for the quotation of such Securities within such periods as may be prescribed by the Exchange; and
  - 7.7 A Share Issuance Scheme shall be approved by the members in general meeting and no Director shall participate in such scheme unless:-
    - (a) the members in general meeting have approved the specific allotment to be made to such Director; and
    - (b) he holds office in the Company in an executive capacity PROVIDED ALWAYS that a Director not holding office in an executive capacity may so participate in an issue of shares pursuant to a public issue or public offer.
8. Subject to the provisions of the Act, any preference shares may be issued on the terms that they are, or at the option of the Company are liable, to be redeemed provided that:-
- Issue of Preference  
Shares
- 8.1 the holders of preference shares shall have the same rights as the holders of ordinary shares in relation to receiving notices, reports and audited financial statements and attending general meetings of the Company but shall only have the right to vote at any meeting convened for the purpose of reducing the Company's share capital, or on a proposal to wind up the Company, or sanctioning the disposal of the whole of the Company's property, business and undertaking or where the proposition to be submitted to the meeting directly affects the rights and privileges attached to the share, or when the

dividend or part of the dividend on such shares is in arrears for more than 6 months and during the winding up of the Company;

- 8.2 the holder of a preference share shall be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up; and
- 8.3 the Company shall not, without the consent of the existing preference shareholders at a class meeting or pursuant to Clause 19 hereof, issue further preference capital ranking in priority above preference shares already issued but may issue preference shares ranking equally therewith.
9. Subject to the provisions of the Act, the Company shall not give whether directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any shares in the Company or in its holding company, nor shall the Company make a loan for any purpose whatsoever on the security of its shares or those of its holding company. No financial assistance
10. Subject to the provisions of the Act and the rules, regulations, orders, guidelines or requirements issued by the Exchange and/or any other relevant authority from time to time, the Company may by ordinary resolution purchase its own shares. Purchase of own shares
- Any shares in the Company so purchased by the Company shall be dealt with in accordance with the Act and the guidelines or requirements issued by the Exchange and/or any other relevant authority from time to time.
11. In addition to all other powers of paying commissions, the Company (or the Board on behalf of the Company) may exercise the powers conferred by Section 80 of the Act of applying its shares or capital moneys in paying commissions to persons subscribing or procuring subscriptions for shares of the Company, or agreeing so to do whether absolutely or conditionally, provided that the percentage or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act and shall not exceed 10% of the price at which the shares in respect whereof the commission is paid are issued or an amount equivalent thereto. The Company (or the Board on behalf of the Company) may also on any issue of the shares pay such brokerage as may be lawful. Power of paying commission
12. Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest on so much of such share capital as is for the time being paid up for the period and subject to the condition and restrictions mentioned in Section 130 of the Act, and may charge the same to capital as part of the cost of construction of the works, buildings or plant. Shares issued for purposes of raising money for the construction of works or building
13. The Company shall duly observe and comply with the provisions of the Act and the Listing Requirements from time to time prescribed by the Exchange applicable to any allotment of its shares. Compliance with Requirements
- 14A. Except as required by law and as provided under the Rules, no person shall be recognised by the Company as holding any share upon any trust, expressed, implied or constructive and the Company shall not, even when having notice thereof; be bound or compelled to recognise any equitable, contingent, future or partial interest in any share, or unit of a share, or (except only as by this Constitution otherwise expressly provided or as required by law) any other right in respect of any share except an absolute right to the entirety thereof in the registered holder. Trusts not to be recognised

- 14B. (a) The Company may require information of a Member. The Company may, by notice in writing, require any Member within such reasonable time as is specified in the notice:- Information on shareholding
- (i) to inform the Company whether he holds any voting shares in the Company as beneficial owner or as trustee; and
- (ii) if he holds the voting shares as trustee, to indicate so far as he can the persons for whom he holds the voting shares by name and by other particulars sufficient to enable those persons to be identified and the nature of their interest.
- (b) The Company may require any information of beneficial interest. Where the Company is informed in pursuance of a notice given to any person hereof that any other person has an interest in any of the voting shares in the Company, the Company may by notice in writing require that other person within such reasonable time as is specified in the notice:-
- (i) to inform the Company whether he holds that interest as beneficial owner or as trustee; and
- (ii) if he holds the voting shares as trustee, to indicate so far as he can the persons for whom he holds such interest by name and by other particulars sufficient to enable those persons to be identified and the nature of their interest.
- (c) Member to inform Company. The Company may by notice in writing require a Member to inform the Company, within such reasonable time as is specified in the notice, whether any of the voting rights carried by any voting shares in the Company held by him are the subject of an agreement or arrangement under which another person is entitled to control his exercise of those rights and, if so, to give particulars of the agreement or arrangement and the parties to such agreement or arrangement.
15. Subject to the provisions of the Listing Requirements, the Act, the Central Depositories Act and/or the Rules and notwithstanding the existence of a resolution pursuant to Sections 75 and 76 of the Act, the Company must ensure that it shall not issue any shares or convertible Securities if those shares or convertible Securities, when aggregated with any such shares or convertible Securities issued during the preceding 12 months, exceeds 10% of the total number of issued shares (excluding treasury shares) of the Company, except where the shares or convertible Securities are issued with the prior approval of the Members in general meeting of the precise terms and conditions of the issue. In working out the number of shares or convertible Securities that may be issued by the Company, if the Security is a convertible Security, each such Security is counted as the maximum number of shares into which it can be converted or exercised. Issue of Securities
16. No person shall exercise any rights of a Member until his name shall have been entered in the Record of Depositors and he shall have paid all calls and other moneys for the time being due and payable on any share held by him. Exercise of rights of Members
17. If, by the condition of allotment of any share, the whole or part of the amount or issue price thereof shall be payable on fixed dates every such amount shall, when due, be paid to the Company by the person who for the time being and from time to time shall be the registered holder of the share, or his legal personal representatives. Instalments

### ***Certificates***

18. (a) Every Member shall be entitled to receive share certificate (in respect of shares that are not Deposited Securities) in accordance with the Act. Issuance of share certificates



- (b) No Member is entitled to a certificate in respect of any Deposited Security except in accordance with the Central Depositories Act and the Rules and any applicable law.
- (c) Depository or its nominee company shall be entitled to receive jumbo certificates in denominations requested by the Depository or its nominee company for shares that are Deposited Securities.

### ***Alteration of Rights***

- 19. Notwithstanding Clause 20 hereof, the repayment of capital of preference shares other than redeemable preference shares, or any other alteration of preference shareholder rights, shall only be made pursuant to a special resolution of the preference shareholders concerned, provided always that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing, if obtained from the holders of three-fourths ( $\frac{3}{4}$ ) of the preference shares concerned within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting. Alteration of preferential shareholder' rights
- 20. If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of such class of shares representing not less than seventy five per centum of the total voting rights of the holders of the shares of that class, or with the sanction of a special resolution passed by the holders of the shares of the class. To every such separate general meeting, the provisions of this Constitution relating to general meetings shall mutatis mutandis apply; but so that the necessary quorum shall be two (2) persons at least holding or represented by proxy or by attorney one-third ( $\frac{1}{3}$ ) of the total voting rights of the class (but so that if at any adjourned meeting of such holders, a quorum as above defined is not present, the holders present shall from a quorum) and that any holder of shares of the class present in person or by proxy or by attorney may demand a poll. On a poll, the holders of the shares shall have one (1) vote for every share of the class held by them respectively. To every such special resolution, the provisions of Section 292 of the Act shall, with such adaptations as are necessary, apply. Alteration of class rights
- 21. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards to participation in the profits or assets of the Company in some or in all respects *pari passu* therewith. No alteration of rights by issuance of new shares

### ***Calls on Shares***

- 22. The Directors may from time to time make such calls upon the Members as the Directors may think fit in respect of the amounts unpaid on their shares and not by the conditions of allotment made payable at fixed times provided that no call shall exceed one-fourth ( $\frac{1}{4}$ ) of the issued price of the share or be payable at less than thirty (30) days from the date fixed for the payment of the last preceding call. Except in the case of calls payable at fixed times pursuant to the conditions of allotment, each Member shall be entitled to receive at least fourteen (14) days' notice specifying date, time and place of payment. Calls on shares
- 23. Any call may be made payable either in one sum or by instalments, and each Member upon whom a call is made is liable to pay the amount of the call to the Company at the time or times and place appointed by the Directors. A call may be revoked or the time for its payment may be postponed by the Directors. Payment of calls

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| 24. | A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed.  | When call made                                   |
| 25. | The Directors may from time to time make arrangements on the issue of shares for varying the amounts and times of payment of calls as between shareholders.  | Directors may differentiate between holders      |
| 26. | Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date, for all purposes of this Constitution, be deemed to be a call duly made and payable on the date, on which by the terms of issue becomes payable and in case of non-payment all the relevant provisions of this Constitution as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.  | Term of issue may be treated as call             |
| 27. | If a call or an instruments of a call is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the amount of the call on instruments, at such rates not exceeding 8% per annum, as the Directors may fix from the day appointed for payment thereof to the time of actual payment, but the Directors may waive payment of such interest in whole or in part.  | Interest on calls in arrears                     |
| 28. | No Member shall be entitled to receive any dividend or to exercise any privileges as a Member until he shall have paid all calls for the time being due and payable on every share held by him together with interest and expenses (if any).   | Calls to be fully paid before receiving dividend |
| 29. | The Directors may, if they think fit, receive from any Member willing to advance the same, all or any part of the moneys payable in respect of any share held by him beyond the amount of the calls actually made thereon and upon the moneys so advanced, or so much thereof as shall from time to time exceed the amount of the calls due upon such shares, the Company may pay interest at such rate not exceeding 8% per annum, as may be agreed between the Member paying the sum in advance and the Directors. Any capital paid on shares in advance of calls shall not, whilst carrying interest, confer a right to participate in profits. Except in liquidation, sums paid in advance of calls shall not, until the same would but for such advance have become payable, be treated as paid up in the shares in respect of which they have been paid. | Payment of calls in advance                      |
| 30. | At the trial or hearing of any action or other proceeding for the recovery of any money due for any call it shall be sufficient to prove that the name of the Member sued is entered in the Record of Depositors as the holder of the shares in respect of which such call was made, that the resolution making such call is duly recorded in the minutes book of the Directors and that notice of such call was duly given to the Member sued according to the provisions of these presents and it shall not be necessary to prove the appointment of the Directors who made such call nor any other matter whatsoever but the proof of the matters aforesaid shall be conclusive evidence of a debt due from the Members sued to the Company.  | Evidence in action for call                      |

### ***Forfeiture and Surrender of Shares***

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| 31. | If any Member fails to pay any call or instalment of a call on the day appointed for the payment thereof, the Directors may at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on the Member requiring payment of so much of the call or instalment as is unpaid, together with any interest or compensation which may have accrued. | Notice to pay calls        |
| 32. | The notice shall name a further day (not being less than fourteen (14) days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that, in the event of non-payment at or before the time and place appointed the shares in respect of which such call was made will be liable to be forfeited.   | Period of notice           |
| 33. | If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time, thereafter,   | Forfeiture for non-payment |

before payment of all calls and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends which shall have been declared on the forfeited shares and not actually paid before the forfeiture. The Directors may accept the surrender of any share liable to be forfeited hereunder.

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| 34. | Notwithstanding any such forfeiture as aforesaid, the Directors may at any time before the forfeited share has been otherwise disposed of, annul the forfeiture upon the terms of payment of all calls and interest due upon and expenses incurred in respect of the share and upon such further terms (if any) as they shall see fit.  | Annulment of forfeiture   |
| 35. | Subject to the provisions of the Central Depositories Act and the Rules, a share so forfeited or surrendered shall become the property of the Company and may be re-sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto, or to any other person upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposition the forfeiture or surrender may be cancelled on such terms as the Directors think fit. The Directors may, if necessary, authorise some person to transfer a forfeited or surrendered share to any such other person as aforesaid.  | Shares forfeited belongs to the Company                                   |
| 36. | A person whose shares have been forfeited or surrendered shall cease to be a Member in respect of the forfeited or surrendered shares, but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture or surrender were payable by him to the Company in respect of the shares together with interest or compensation of the rate of 8% per annum from the date of forfeiture or surrender on the money for the time being unpaid if the Directors think fit to enforce payment of such interest or compensation) but his liability shall cease if and when the Company receives payment in full of all such moneys in respect of the shares.  | Liability on forfeiture   |
| 37. | A statutory declaration in writing by a Director, that a share in the Company has been duly forfeited or surrendered or sold to satisfy a lien on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares. The Company may receive the consideration, if any, given for the share on any sale or disposition thereof and the Directors may authorise some person to execute a transfer of the share in favour of the person to whom the share is sold or otherwise disposed of and he shall thereupon be registered as the holder of the share, and the Company shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or other disposal of the share. Subject to any lien for sums not presently payable, if any, any residue of the proceeds of the sale of shares which are forfeited and sold, after the satisfaction of the unpaid calls or instalments payable at fixed times and accrued interest and expenses, shall be paid to the person whose shares have been forfeited or his executors, administrators or assignees or as he directs. | Statutory Declaration as conclusive evidence and sale of shares forfeited |
| 38. | The provisions of this Constitution as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, as if the same had been payable by virtue of a call duly made and notified.  | Application of forfeiture provision                                       |
| 39. | When any share has been forfeited in accordance with this Constitution notice of the forfeiture shall forthwith be given to the holder of the share or to the person entitled to the share by reason of the death or bankruptcy as the case may be, and an entry of such notice having been given, and of the forfeiture with the date thereof shall forthwith be made in the Record of Depositors opposite to the share.   | Notice of forfeiture to be given and entered in the Record of Depositors  |
| 40. | The forfeiture of a share shall involve the extinction at the time of forfeiture of all   | Results of forfeiture   |

interest in and claims and demands against the Company in respect of the share and all other rights and liabilities incidental to the share as between the Member whose share is forfeited and the Company, except only such of those rights and liabilities as are by this Constitution expressly saved or as are by the Act given or imposed in the case of past Members.

### ***Lien***

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| 41. | The Company's lien on shares and dividends from time to time declared in respect of such shares, shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay and has paid in respect of the shares of the Member or deceased Member.   | Company's lien on shares and dividends |
| 42. | The Company may sell, in such manner as the Directors think fit, any shares on which the Company has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable, nor until the expiration of fourteen (14) days after notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share, or the person entitled thereto by reason of his death or bankruptcy. | Power to enforce lien by sale          |
| 43. | The proceeds of any such sale after payment of the amount of interests and costs relating to the sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale or his executors, administrators or assignees or as he directs.                   | Application of proceeds of sale        |

### ***Transfer of Shares***

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| 44. | The transfer of any Deposited Security or class of Deposited Security in the Company shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding to Sections 105, 106 or 110 of the Act but subject to Section 148 (2) of the Act and any exemption that may be made from compliance with Section 148 (1) of the Act, the Company shall be precluded from registering and effecting any transfer of Deposited Security.  | Transfer of Securities              |
| 45. | The instrument of transfer of a share shall be executed by or on behalf of the transferor and transferee, subject to compliance with the provisions of the Central Depositories Act and the Rules.   | Execution                           |
| 46. | <p>(a) Subject to the provisions of the Central Depositories Act and the Rules, any holder of a Security that is not a Deposited Security may transfer all or any of his Security that is not a Deposited Security by instrument in writing in the form prescribed by the Act, the Central Depositories Act or the Rules and if no such form is prescribed then in such form as may be prescribed by the Company, the instrument of transfer of any such Security that is not a Deposited Security shall be executed by or on behalf of the transferor and the transferee and left at the Office or such other place as the Directors may appoint accompanied by the certificate or certificates of such Security that is not a Deposited Security to be transferred (if any) and such other evidence (if any) as the Directors may require to prove the title of the intending transferee and that the intending transferee is a qualified person viz, not an infant, bankrupt or person of unsound mind.</p> <p>(b) In respect of the transfer of Security that is not a Deposited Security, the Company shall enter or cause to be entered the name of the transferee in the Register of Members as shareholder within thirty (30) days from the receipt of the instrument of transfer, provided always that:</p> | Non-Deposited Securities and Others |

- (1) the Directors may refuse or delay to register any transfer of shares not being fully paid shares and may also decline to register any transfer of shares on which the Company has a lien;
  - (2) if the Directors refuse to register a transfer, they shall pass a resolution to refuse or delay the registration of the transfer within thirty (30) days from the receipt of the instrument of transfer and the resolution sets out in full the reasons for refusing or delaying the registration; and
  - (3) the notice of the resolution and the reasons referred to in Clause 46(b)(2) above is sent to the transferor and to the transferee within seven (7) days of the resolution being passed.
- (c) Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of Deposited Securities or Security that is not a Deposited Security although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers, be legally inoperative or insufficient to pass the property in the Deposited Securities or the Security that is not a Deposited Security proposed or professed to be transferred, and although the transfer may, as between the transferor and the transferee, be liable to be set aside. In every such case, the person registered a transferee, his executors, administrators and assignees, subject to compliance with the Act, the Central Depositories Act and the Rules, alone shall be entitled to be recognised as the holder of such Deposited Securities or the Security that is not a Deposited Security and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.
- (d) The Directors may decline to recognise the instrument of transfer in respect of Security that is not a Deposited Security unless:
  - (1) the instrument of transfer is duly stamped in accordance with the law in regard to the payment of stamp duty for the time being in force and such fee not exceeding Ringgit Malaysia Three (RM3.00) only per transfer is paid to the Company in respect thereof or such sum as the Company may be permitted by law governing the registration of transfer of Securities;
  - (2) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by the certificate or certificates of the Securities to which it relates and such evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and
  - (3) the instrument of transfer is in respect of only one class of security.
- (e) Registration of transfers may be suspended at such time and for such period as the Directors may from time to time determine but so that no part of the Register of Members shall be closed for more than thirty (30) days in aggregate in any calendar year. At least ten (10) clear Market Days' (or such other minimum period as may be prescribed by the Exchange) notice of such suspension or of any books closing date shall be given to the Exchange stating the period and purpose of such suspension of closure and be published in a daily newspaper circulating in Malaysia. In relation to the suspension or books closing, the Company shall give written notice to the Depository to issue the appropriate Record of Depository in accordance with the Central Depositories Act and the Rules within such time as is required by the Depository to issue the relevant Record of Depositors.

- (f) Subject to the provisions of the Act, the Central Depositories Act and the Rules, no share shall in any circumstance be transferred to any infant, bankrupt or person of unsound mind.

### ***Transmission of Shares***

47. Where:- Transmission of shares

- (a) the securities of the Company are listed on another stock exchange; and
- (b) the Company is exempted from compliance with Section 14 of the Central Depository Act or Section 29 of the Securities Industry [Central Depositories][Amendment] Act, 1998 as the case may be under the Rules of the Depository in respect of such Securities;

the Company shall upon request of a Securities holder, permit a transmission of Securities held by such securities holder from the register of holders maintained by the Share Registrar of the Company in the jurisdiction of the other stock exchange, to the register of holder maintained by the Share Registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such Securities.

48. Any person becoming entitled to a share which is a Deposited Security in consequence of the death or bankruptcy of a Member may apply to the Depository to transfer the shares into his Securities Account supported by the relevant documents and in accordance with the Central Depositories Act and/or the Rules. The said person shall deliver or send to the Company and the Depository a written notice signed by him expressing his aforesaid intention provided that notice in writing thereof has been given to the Company. Subject to the provisions of the Act, the Central Depositories Act and the Rules a person becoming entitled to a Security by reason of the death or bankruptcy of the holder thereof shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the Security, except that he shall not before being registered as a Member in respect of the share be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company. Provided further always that the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the Security and if the notice is not complied with within ninety (90) days the Directors may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Security until the requirements of the notice have been complied with. Death of holder of shares

### ***Conversion of Shares into Stocks***

49. The Company may by special resolution passed at general meeting convert any paid up shares into stock or reconvert any stock into paid up shares of any number. Conversion of shares into stocks
50. The holders of stock may transfer the same or any part thereof in the same manner and subject to the same clauses as and subject to which the shares from which the stock arose to may, before the conversion, have been transferred or in the closest manner as near thereto as circumstances allow; but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum. Holder of stocks may transfer their interest
51. The stock shall confer on the holders thereof respectively the same rights, privileges and advantages as regards dividends, participation in assets on a winding up, voting at meetings of the Company and other matters as would have been conferred by the shares from which the stock arose, but so that none of such rights, privileges or advantages, (except participation in dividends and profits of the Company and in assets on a winding up) shall be conferred by an amount of the stock which would not, if existing in shares, have conferred such right, Participation in dividends and profits

privilege or advantage.

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| 52. | All such provisions of this Constitution as are applicable to paid-up shares shall apply to stock and in all such provisions the word "share" shall include "stock" and the word "shareholder" and "Member" shall include "stockholder". | Application of this Constitution |
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### ***Increase of Capital***

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| 53. | The Company may from time to time, whether all the shares for the time being issued shall have been fully paid up or not, by ordinary resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct in the resolution authorising such increase.  | Increase of share capital  |
| 54. | Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible Securities shall, before issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of shares or Securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or Securities offered, the Directors may dispose of those shares or Securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new shares or Securities which (by reason of the ratio which the new shares or Securities bear to shares or Securities held by persons entitled to an offer of new shares or Securities) cannot, in the opinion of the Directors, be conveniently offered under this Clause. | Issue of new shares to existing Members                                  |
| 55. | Except so far as otherwise provided by the conditions of issue, any capital raised by the creation of new shares shall be considered as part of the original share capital of the Company. All new shares shall be subject to the provisions herein contained with reference to allotments, the payment of calls and instalments, transfer, transaction, transmission, forfeiture, lien or otherwise and shall also be subject to the Rules.   | New capital to be considered as part of the current share of the Company |

### ***Alteration of Capital***

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| 56. | <p>56.1 The Company may alter its share capital by passing a special resolution to:</p> <ul style="list-style-type: none"> <li>(a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;</li> <li>(b) subdivide its shares or any of the shares, whatever is in the subdivision, the proportions between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or</li> <li>(c) cancel any shares which at the date of the passing of the resolution which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.</li> </ul> <p>56.2 The Company may, subject to the provisions of the Act, by special resolution reduce its share capital.</p> | Alteration of Share Capital |
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### **General Meetings**

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| 57.  | The Company shall once in a every calendar year within six (6) months of the Company's financial year end hold a general meeting as its annual general meeting in addition to any other meetings in that year, and not more than fifteen (15) months shall elapse between the date of one annual general meeting and that of the next, but so long as a Company holds its first annual general meeting within eighteen (18) months of its incorporation, it need not hold any other annual general meeting in the year of its incorporation or in the year following its incorporation.  | Annual General Meeting                     |
| 58.  | All general meetings other than annual general meetings shall be called extraordinary general meetings.  | Extraordinary General Meeting              |
| 59.  | All general meetings shall be held at such time, day and place as the Directors shall determine. Every notice of an annual general meeting shall specify the meeting as such and every meeting convened for passing a special resolution shall state the intention to propose such resolution as a special resolution. A general meeting may be held at more than one venue using any technology or method that enables the Members of the Company to participate and to exercise the Members' rights to speak and vote at the meeting.  | Convening of General Meetings              |
| 60.  | The Directors may whenever they think fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on such requisition as is referred to in Sections 311 and 312 of the Act, or if the Company makes default in convening a meeting in compliance with a requisition received pursuant to Section 312 of the Act, a meeting may be convened by such requisitionists themselves in the manner provided in Section 313 of the Act. Any meeting convened by requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.   | Convening of Extraordinary General Meeting |
| 61A. | The notices convening meetings shall be given to all Members (other than those who are not entitled to receive notices of general meetings of the Company under the provisions of this Constitution or the terms of issue of the shares held by them) and to the Directors and auditors for the time being of the Company at least fourteen (14) days before the meeting or at least twenty-one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given and shall specify the place, the day and the hour of the meeting and, in the case of special business shall also specify the general nature of that business and shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least fourteen (14) days' notice or twenty-one (21) days' notice in the case where any special resolution is proposed or where it is the annual general meeting, of every such meeting shall also be given by advertisement in at least 1 nationally circulated Bahasa Malaysia or English daily press and in writing to the Exchange. | Notice of Meetings                         |
| 61B. | <p>(1) Notice of general meeting of the Company shall state-</p> <ul style="list-style-type: none"> <li>(a) the place, date and time of the meeting; and</li> <li>(b) the general nature of the business of the meeting.</li> </ul> <p>(2) Notice of a general meeting shall be in writing or Documents which are required to be given, sent or served under the Act or under this Constitution shall be given to the Members either:</p> <ul style="list-style-type: none"> <li>(a) in hard copy;</li> <li>(b) in electronic form;</li> <li>(c) partly in hard copy and partly in electronic form; or</li> <li>(d) by other methods agreed between the Company and Members.</li> </ul>  |  |



- (3) Notice of a general meeting or Documents:-
- (a) given in hard copy shall be sent to any Member either personally or by post to the address supplied by the Member to the Company for such purpose; or
  - (b) given in electronic form shall be transmitted to the electronic address provided by the Member to the Company for such purpose or by publishing on a website.
- (4) Notice of a general meeting or Documents shall not be validly given by the Company by means of a website unless a notification to that effect is given in accordance with this Constitution.
- (5) The Company shall notify a Member/securities holder of the publication of the notice of a general meeting or Documents on the website and such notification shall be in writing and shall be given in hard copy or electronic form stating:
- (a) that it concerns a general meeting;
  - (b) the place, date and time of the meeting; and
  - (c) whether the meeting is an annual general meeting.
- (6) If the Company sends the notice of a general meeting or Documents or notification through electronic mail, there must be proof of electronic mail delivery. In the event of delivery failure, the Company shall send a hard copy of the notice or Documents to him.
- (7) The notice of a general meeting or Documents shall be made available on the website throughout the period beginning from the date of the notification referred to in Clause 61B(5) until the conclusion of the meeting.
- (8) The contact details of the Member/securities holder as provided to Bursa Depository shall be deemed as the last known address provided by the Member to the Company for purposes of communication with the Member.
- (9) Where any Member/securities holder requests for a hard copy of the Documents, the Company shall forward a hard copy of these Documents to the Member/securities holder as soon as reasonably practicable after the receipt of the request, free of charge.
- (10) Where it relates to Documents required to be completed by Members/securities holders for a rights issue or offer for sale, the Company must send these Documents through electronic mail, in hard copy or in any other manner as the Exchange may prescribe from time to time.
62. The Company shall request the Depository in accordance with the Rules, to issue a Record of Depositors to whom notices of general meetings shall be given by the Company. The Company shall request the Depository in accordance with the Rules, to issue a Record of Depositors as at the latest date which is reasonably practicable which shall in any event be not less than three (3) Market Days before the general meeting (hereinafter referred to as "the General Meeting Record of Depositors"). Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations, 1996 (where applicable) and notwithstanding any provision in the Act, a depositor shall not be regarded as a Member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.
63. Subject always to the provisions of the Act, no business shall be transacted at an

General Meeting  
Record of  
Depositors

Business at

	extraordinary general meeting except business of which notice has been given in the notice convening the meeting.	Extraordinary General Meeting
64.	In every notice calling a meeting of the Company, there shall appear with reasonable prominence a statement that a Member entitled to attend, participate, speak and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote instead of him. A proxy may, but need not, be a Member of the Company and there shall be no restriction as to the qualification of the proxy where a Member appoints more than 1 proxy, he shall specify the proportions of his holdings to be represented by each proxy, failing which the appointment shall be invalid.	Right to appoint proxy
65.	The accidental omission to give notice of any meeting to or the non-receipt of the notice of a meeting by, any person entitled to receive notice shall not invalidate any resolution passed or proceedings held at any such meeting.	Omission to give notice
66.	A meeting shall, notwithstanding that it is called by notice shorter than is required by Clause 61A, be deemed to be duly called if it is so agreed, in the case of a meeting called as the annual general meeting, by all the Members entitled to attend and vote thereat or in the case of an extraordinary general meeting, by a majority in number of the Members having a right to attend and vote thereat, being a majority which together holds not less than 95% of the shares giving a right.	Call of meetings by shorter notice
67.	Where by the Act, special notice is required of a resolution, the resolution shall not be effective unless notice of the intention to move it has been given to the Company not less than twenty-eight (28) days before the meeting at which it is moved, and the Company shall give its Members notice of any such resolution at the same time and in the same manner as it gives notice of the meeting or, if that is not practicable, shall give them notice thereof, in any manner allowed by this Constitution not less than 14 days before the meeting, but if after notice of the intention to move such a resolution has been given to the Company, a meeting is called for a date twenty-eight (28) days or less after the notice has been given, the notice, although not given to the Company within the time required by this Constitution shall be deemed to be properly given.	Resolution requiring special notice
68.	Subject to Section 323 of the Act, Members of a public company may require the Company to circulate statements to Members of the Company entitled to receive notice of general meeting.	Circulation of statements

### ***Proceedings at General Meetings***

69.	All business that is transacted at any extraordinary general meeting and also all business that is transacted at an annual general meeting shall be deemed special, with the exception of the laying of the audited financial statements and audited group financial statements (if any) of the Company and the reports of the Directors and auditors, the election of Directors in the place of those retiring, the fixing of the Directors' fees and benefits payable, and the appointment of, and the fixing of the remuneration of the auditors.	Special business
70.	No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. Save as herein otherwise provided, two (2) Members present in person or by proxy shall be a quorum. For the purposes of constituting a quorum: <ul style="list-style-type: none"> <li>(a) One (1) or more representatives appointed by a corporation shall be counted as one (1) Member, or</li> <li>(b) One (1) or more proxies appointed by a person shall be counted as one (1) Member.</li> </ul>	Quorum
71.	If within half an hour after the time appointed for the meeting a quorum is not	Proceeding of quorum not present

present, the meeting, if convened by or upon the requisition of Members, shall be dissolved. If otherwise convened, it shall stand adjourned to the same day in the next week (or if that day be a public holiday, then to the next business day following such public holiday), at the same time and place or to such other day and at such other time and place as the Directors may determine, but if a quorum is not present within 15 minutes from the time appointed for holding the adjourned meeting, the Members present shall be a quorum and may transact the business for which the meeting was called but no notice of any such adjournment as aforesaid shall be required to be given to the Members.

72. The Chairman of the Board, shall preside as Chairman at every general meeting, but if no such Chairman is present within fifteen (15) minutes after the time appointed for holding the meeting, or shall decline to take or shall retire from the chair, the Directors present shall choose one of their number to act as Chairman of such meeting, and if there be no Director chosen who shall be willing to act, the Members present in person or by proxy and entitled to vote shall choose one of their own number to act as Chairman at such meeting. Chairman of general meeting
73. The Chairman may, with the consent of any meeting at which a quorum is present and if so directed by the meeting shall, adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting. Chairman may adjourn meeting and notice of adjournment to be given
74. 74.1 Subject to the Listing Requirements, at any general meeting a resolution put to the vote at the meeting shall be determined by or voted by poll by the Members present in person or by proxy. Notwithstanding the above, a poll may be demanded in writing:- Voting on resolution
- (a) by the Chairman of the meeting (being a person entitled to vote);
  - (b) by at least three (3) Members present in person or by proxy;
  - (c) by any Member or Members present in person or by proxy representing not less than one-tenth of the total voting rights of all the Members having the right to vote at the meeting excluding any voting shares attached to shares in the Company held as treasury shares; or
  - (d) by a Member or Members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right, excluding shares in the Company conferring a right to vote on the resolution which are held as treasury shares.
- Provided that no poll shall be demanded on the election of a chairman of a meeting or on any question of adjournment.
- 74.2 (a) Voting rights on show of hands.
- On a resolution to be decided on a show of hands, a Member who is personally present or by proxy or by a duly authorised representative and entitled to vote shall be entitled to one (1) vote.
- (b) Voting rights on a poll.
- Subject to this Constitution and any rights or restrictions for the time being attached to any classes of shares, at meetings or class of

meetings, each member who is personally present or by proxy or by a duly authorised representative and entitled to vote shall have one (1) vote for every share held by him.

- 74.3 Subject to this Constitution, a declaration by the Chairman of the meeting that a resolution has been carried or carried unanimously or by a particular majority or lost, and an entry to that effect in the minutes of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number, proportion or validity of the votes, recorded in favour of or against such resolution.
75. The instrument appointing a proxy to vote at a meeting shall be deemed to confer authority to demand, or join in demanding a poll, and, for the purposes of the last preceding Clause, a demand by a person as proxy for a Member shall be the same as a demand by the Member. Proxies' right to demand a poll
76. If any votes shall have been counted which ought not to have been counted, or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same meeting or at any adjournment thereof and unless in the opinion of the Chairman at the meeting or any adjournment thereof as the case may be, it shall be of sufficient importance to vitiate the result of the voting. Counting of votes
77. If a poll is duly demanded, it shall be taken in such manner as the Chairman may direct (including the use of a ballot or voting papers or tickets or electronically using various forms of electronic voting devices) and the result of the poll shall be the resolution of the meeting at which the poll was demanded. The Chairman shall appoint scrutineers to verify the votes which shall be counted by the poll administrators for the purposes of a poll and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the results of the poll. Taking of poll
78. Subject to Clause 74, a poll demanded on any question shall be taken either at once or at such time and place as the Chairman directs not being more than thirty (30) days from the date of the meeting or adjourned meeting at which the poll was demanded. No notice need to be given of a poll not taken immediately. Time of the taking poll
79. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded. Continuance of meeting of other business
80. The demand for a poll may be withdrawn. Withdrawal of poll

### ***Vote of Members***

81. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote in addition to any other vote he may have. Chairman's casting vote
82. 82.1 Subject to Clause 62 above and any rights or restrictions for the time being attached to any class or classes of shares, at meetings of Members or classes of Members, each Member shall be entitled to be present and to vote at any general meeting of the Company either personally or by proxy or by attorney and to be reckoned in a quorum in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid. Members' vote
- 82.2 Subject to any special rights or restrictions as to voting attached to any class or classes of shares by or in accordance with the Constitution, on a show of hands a holder of ordinary shares or preference shares who presents as a Member or a Member's representative or proxy or attorney and entitled to vote shall be entitled to one vote on any question at any general meeting and in the case of a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one vote for every share held Number of votes

by him. A person entitled to more than one vote need not use all his votes or cast all the votes he uses on a poll in the same way.

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| 82.3 | Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right's exercisable.   | Shares of different denominations  |
| 83.  | Any corporation which is a Member of the Company may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative either at a particular meeting of the Company, or at all meetings of the Company or of any class of Members and the person so authorised shall, in accordance with his authority and until his authority is revoked by the corporation, be entitled to exercise the same powers subject to Section 333 of the Act on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member of the Company.  | Votes of corporation   |
| 84.  | <p>84.1 Any Member being of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder may vote, whether on a show of hands or on a poll, by his committee, receiver, curator bonis, or other legal guardian or such other person who has been properly appointed to manage his estate. Any one of such committee or other person may vote either by proxy or by attorney.</p> <p>84.2 The legal personal representative of a deceased Member or the person entitled under Clause 48 to any share in consequence of the death or bankruptcy of any Member may vote at any general meeting in respect thereof in the same manner as if he was the registered holder of such shares provided that 48 hours at least before the time of holding the meeting or adjourned meeting as the case may be at which he proposes to vote he shall satisfy the Directors of his right to any share in consequence of the death or bankruptcy of any Member unless the Directors shall have previously admitted his right to vote in respect thereof.</p> | <p>Vote of Members of unsound mind</p> <p>Vote of legal personal representative of Members</p> |
| 85.  | No Member shall be entitled to be present or to vote at any general meeting or to exercise any privilege as a Member nor be counted as one of the quorum unless all calls or other sums immediately payable by him in respect of shares in the Company have been paid.   | Members in default   |
| 86.  | No objection shall be raised in respect of the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive.  | Time for objection of any voter's qualification  |
| 87.  | The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised. The Directors may but shall not be bound to require evidence of the authority of any such attorney or officer. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand a poll on behalf of the appointor.   | Instrument of proxy  |
| 88.  | <p>88.1 The communication between the Company and its Members relating to meetings and resolutions, supply of information or documents or otherwise for purpose of complying with the Act, may be:</p> <p>(a) in hard copy;</p> <p>(b) in electronic form; or</p> <p>(c) by other methods agreed between the Company and Members.</p>  | Appointment of proxy via electronic communication  |

- 88.2 Subject to the Act and the Listing Requirements, the Directors or any agent of the Company so authorised by the Directors, may accept the appointment of proxy received by electronic communication on such terms and subject to such conditions as they consider fit. The appointment of proxy by electronic communication shall be in accordance with this Constitution.
- 88.3 For the purpose of this Clause, the Directors may require such reasonable evidence they consider necessary to determine:
- (a) the identity of the Member and the proxy; and
  - (b) where the proxy is appointed by a person acting on behalf of the Member, the authority of that person to make the appointment.
- 88.4 Without prejudice to this Clause, the appointment of proxy by electronic communication must be received at the electronic address specified by the Company in any of the following sources and shall be subject to any terms, conditions or limitations specified therein:
- (a) Notice calling the meeting;
  - (b) Instrument of proxy sent out by the Company in relation to the meeting; or
  - (c) Website maintained by or on behalf of the Company.
- 88.5 An appointment of proxy by electronic communication must be received at the electronic address specified by the Company pursuant to this Clause not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the form of appointment of proxy proposes to vote, and in default the instrument of proxy shall not be treated as valid.
- 88.6 An appointment of proxy by electronic communication which is not made in accordance with this Clause shall be invalid.
89. 89.1 A Member entitled to attend and vote at the meeting may appoint a proxy or attorney or other duly authorised representative to attend and vote in his stead. Appointment of multiple proxies
- 89.2 A Member who is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA") may appoint at least one (1) proxy in respect of each Securities Account it holds in ordinary shares of the Company standing to the credit of the said Securities Account.
- 89.3 Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. An Exempt Authorised Nominee refers to an authorised nominee as defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- 89.4 Where a Member appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. The appointment shall not be valid unless he specifies the proportions of his holdings to be represented by each proxy.
90. 90.1 The Company shall be entitled and bound:-
- (a) to reject any instrument of proxy lodged if the Member is not shown to have any shares entered against his name in the Register of Members and / or the latest Record of Depositors made available to the Company; and Appointment and Deposit of proxy

- (b) to accept as the maximum number of votes which in aggregate the proxy appointed by the Member is able to cast on a poll the aggregate number of shares which is entered against the name of that Member in the Register of Members and/or the latest Record of Depositors made available to the Company whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Member.

90.2 The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.

91. Any instrument appointing a proxy shall be in the following form or as near thereto as circumstances will admit: Form of proxy

#### FORM OF PROXY

I/We \_\_\_\_\_, of \_\_\_\_\_ being a Member of HARRISONS HOLDINGS (MALAYSIA) BERHAD, hereby appoint \* the Chairman of the Meeting or \_\_\_\_\_ of \_\_\_\_\_ or failing him, \_\_\_\_\_ of \_\_\_\_\_

	For	Against
SPECIAL RESOLUTION		
ORDINARY RESOLUTION		

as my/our proxy to attend and vote for me/us on my/our behalf at the (Annual or Extraordinary) General Meeting of the Company, to be held on and at any adjournment thereof.

My/Our Proxy is to vote as indicated with an "X" below: If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.

Signed this \_\_\_\_\_ day of \_\_\_\_\_

No. of shares held : \_\_\_\_\_

\_\_\_\_\_  
Signature of Member

\*Delete if not applicable

92. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, shall be deposited at the Office or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid. PROVIDED ALWAYS that the Company may by written notice waive the prior lodgement of the above instrument appointing a proxy and the power of attorney or other authority. Deposit of proxy
93. A vote given in accordance with the terms of an instrument of proxy or attorney shall be valid, notwithstanding the previous death or unsoundness of mind of the principal or revocation of the instrument of proxy, or of the authority under which the instrument of proxy was executed, or the transfer of the share in respect of which the instrument of proxy is given, provided that no intimation in writing of such death, unsoundness of mind, revocation or transfer shall have been Proxy irrevocable unless notice received by the Company

received by the Company at the Office before the commencement of the meeting or adjourned meeting (or in the case of a poll, before the time appointed for the taking of the poll) at which the instrument is used.

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| 94. | A Member of the Company is permitted to give the Company notice of termination of a person's authority to act as proxy not less than 24 hours before the time appointed for holding the meeting. The notice of termination must be in writing and be deposited at the Office or at such other place within Malaysia. | Notice of termination of Appointment of proxy |
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### **Directors**

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| 95.  | Until otherwise determined by the Company in general meeting, the number of Directors shall not be less than three (3) and not more than eleven (11). All the Directors of the Company shall be natural persons who are at least eighteen (18) years old.  | Number of Director   |
| 96.  | The shareholding qualification for Directors may be fixed by the Company in general meeting and until so fixed, no shareholding qualification for Directors shall be required. All Directors shall be entitled to receive notice of and to attend and speak at all general meetings of the Company.  | Share qualification of the Directors   |
| 97.  | <p>97.1 An election of Directors shall take place each year at the annual general meeting of the Company where one-third of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third shall retire from office and be eligible for re-election PROVIDED ALWAYS that Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.</p> <p>97.2 The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.</p> | <p>Rotation and retirement of Directors</p> <p>Senior Director to retire</p> |
| 98.  | No person, not being a retiring Director, shall be eligible for election to the office of Director at any general meeting unless a Member intending to propose him for election has, at least eleven (11) clear days before the meeting, left at the Office of the Company a notice in writing duly signed by the nominee, giving his consent to the nomination and signifying his candidature for the office, or the intention of such Member to propose him for election, provided that in the case of a person recommended by the Directors for election, nine (9) clear days' notice only shall be necessary, and notice of each and every candidature for election to the Board of Directors shall be served on the registered holders of shares at least seven (7) days prior to the meeting at which the election is to take place.           | Notice of nomination of Director   |
| 99.  | The Company at the meeting at which a Director retires may fill the vacated office by electing a person thereto. Unless at that meeting it is expressly resolved not to fill the vacated office or a resolution for re-election of the Director retiring at that meeting is put to the meeting and lost or some other person is elected as Director in place of the retiring Director, the retiring Director shall, if offering himself for re-election and not being disqualified under the Act from holding office as a Director, be deemed to have been re-elected. A retiring Director shall be deemed to have offered himself for re-election unless he has given notice in writing to the Company that he is unwilling to be re-elected.   | When the retiring Director deemed re-elected                                 |
| 100. | At a general meeting at which more than one Director is to be elected, each candidate shall be the subject of a separate motion and vote unless a motion for the appointment of two or more persons as Directors by a single resolution shall have first been agreed to by the meeting without any vote being given against it.  | Appointment of Directors by single resolution                                |
| 101. | The Company may from time to time by ordinary resolution passed at a general meeting increase or reduce the number of Directors and may also determine in  | Number may be increased or decreased   |



what rotation the increased or reduced number is to go out of office.

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| 102. | 102.1 | A Director may appoint a person approved by a majority of his co-Director to act as his alternate provided that such person is not a Director of the Company and does not act as an alternate for more than one Director of the Company. Any fee paid by the Company to the alternate shall be deducted from that Director's remuneration. The Alternate Director shall be entitled to notices of all meetings and to attend, speak and vote at any such meeting at which his appointor is not present. Any appointment so made may be revoked at any time by the appointor and any appointment or revocation under this Constitution shall be effected by notice in writing to be delivered to the Secretary of the Company. An Alternate Director shall ipso facto cease to be an Alternate Director if his appointor for any reason ceases to be a Director. | Alternate Director                |
|      | 102.2 | If any Director retires by rotation and is re-elected by the meeting or is, pursuant to this Constitution, deemed to be re-elected at the meeting at which such retirement took effect, any appointment made by him of an Alternate Director which was in force immediately prior to the appointor's retirement shall continue to operate after such re-election as if the appointor had not so retired.  |                                   |
|      | 102.3 | Any appointment or removal of an Alternate Director may be made by cable, telegram, telefax, telex or in any other manner approved by the Directors. Any cable or telegram shall be confirmed as soon as possible by letter but may be acted upon by the Company meanwhile.   |                                   |
|      | 102.4 | A Director shall not be liable for the acts and defaults of any Alternate Director appointed by him.  |                                   |
|      | 102.5 | An Alternate Director shall not be taken into account in reckoning the minimum or maximum number of Directors allowed for the time being, but he shall countered for the purpose of reckoning whether a quorum is present at any meeting of the Directors attended by him at which he is entitled to vote.  |                                   |
| 103. |       | The Company may by ordinary resolution of which special notice has been given, remove any Director before the expiration of his period of office, notwithstanding, any provisions of this Constitution or of any agreement between the Company and such Director but without prejudice to any claim he may have for damages for breach of any such agreement. The Company may by ordinary resolution appoint another person in place of a Director so removed from office and any person so appointed shall be subject to retirement by rotation at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director. In default of such appointment, the vacancy so arising may be filled by the Directors as a casual vacancy.  | Removal of Directors              |
| 104. |       | The Directors shall have power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but the total number of Directors shall not at any time exceed the maximum number fixed in accordance with this Constitution. Any Director so appointed shall hold office only until the next annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.   | Appointment by Board of Directors |
| 105. |       | The fees and any benefits payable to the Directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and subject to annual shareholders' approval at a general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office provided Always that:-   | Remuneration                      |

- 105.1 fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;
- 105.2 salaries payable to executive Directors may not include a commission on or percentage of turnover;
- 105.3 fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
- 105.4 any fee paid to an Alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.
106. 106.1 The Directors shall be entitled to be reimbursed for all travelling or such other reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors. Reimbursement of expenses
- 106.2 If by arrangement with the Directors, any Director performs any services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a Member of a committee of Directors, may be paid such salary or otherwise, subject to any other provisions of this Constitution.
107. The office of Director shall, ipso facto, be vacated if the person holding that office:- Vacation of office of Directors
- (a) is an undischarged bankrupt;
  - (b) has been convicted of an offence relating to the promotion, formation or management of a corporation;
  - (c) has been convicted of an offence involving bribery, fraud or dishonesty;
  - (d) become disqualified from being a Director by reason of any order made under the Act or he has been convicted of an offence under Sections 199, 213, 215, 216, 217, 218, 228 and 539 of the Act;
  - (e) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder during his term of office;
  - (f) is absent from more than 50% of the total Board Meeting held during a financial year of the Company, except when an exemption or waiver is obtained from the Exchange;
  - (g) if he is removed by a resolution of the Company in general meeting;
  - (h) resigns from his office by notice in writing to the Company and deposited at the office;
  - (i) has retired in accordance with the Act or the Constitution of the Company but not re-elected; or
  - (j) otherwise vacates his office in accordance with the Act or the Constitution of the Company.

#### ***Powers and Duties of Director***

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| 108. | The business of the Company shall be managed by the Directors who may exercise all such powers of the Company, and do on behalf of the Company all such acts as are within the scope of this Constitution and by the Act or by this Constitution required to be exercised or done by the Company in general meeting, subject nevertheless to this Constitution, to the provisions of the Act, and to such regulations, being not inconsistent with this Constitution, as may be prescribed by the Company in general meeting, but no regulation made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made. | Powers and duties of Directors   |
| 109. | The Directors shall not without the prior approval of the Company in general meeting:-   | Approval of the Company required |
|      | 109.1 carry into effect any proposal or execute any transaction for the acquisition of an undertaking or property of a substantial value, or the disposal of a substantial portion of or a controlling interest in the Company's undertaking or property;  |                                  |
|      | 109.2 exercise any power of the Company to issue shares unless otherwise permitted under the Act; or   |                                  |
|      | 109.3 subject to Section 228 of the Act, enter into any arrangement or transaction with a Director or a Director of the holding company or a subsidiary of the Company, or with a person connected with such a Director to acquire from or dispose to such a Director or person any non-cash assets of the requisite value.  |                                  |
| 110. | 110.1 The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other Securities whether outright or as security for any debt, liability or obligation of the Company or of any related third party Provided Always that nothing contained in this Constitution shall authorise the Directors to borrow any money or mortgage or charge any of the Company's undertaking property or any uncalled capital or to issue debentures and other Securities whether outright or as security for any debt, liability or obligation of an unrelated third party.      | Directors' borrowing powers      |
|      | 110.2 The Directors shall cause a proper register to be kept in accordance with the provisions of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to the registration of mortgages and charges therein specified or otherwise.  |                                  |
|      | 110.3 If the Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.   |                                  |
| 111. | The Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to any Director or ex-Director who may hold or have held any executive office or any office of profit under the Company or any subsidiary company, and for the purpose of providing any such pensions or other benefits, to contribute to any scheme or fund or to pay premiums.   | Pensions                         |
| 112. | The Directors may from time to time, and at any time, by power of attorney under the Seal, appoint any corporation, firm or person or body of persons, whether   | Power to appoint attorney        |

nominated directly or indirectly by the Directors to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretion (including the power to sub-delegate but not exceeding those vested in or exercisable by the Directors under this Constitution) and for such period and subject to such conditions as the Directors may from time to time think fit, and any such power of attorney may contain such provisions for the protection or convenience of persons dealing with any such attorney as the Directors think fit.

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| 113. | All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipt for money paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Directors may from time to time determine by resolution.  | Cheques, bills etc.                          |
| 114. | A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No Director or intending Director shall be disqualified by his office from contracting with the Company with regard to his tenure of any such office or place of profit in any other respect nor shall any such contract, or any contract or arrangement entered into by or on behalf of any company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established provided always that Sections 221 and 228 and all other relevant provisions of the Act and this Constitution are complied with. | Right to hold other office under the Company |
| 115. | Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company.  | Right to payment for professional services   |
| 116. | A Director shall at all times act honestly and use reasonable diligence in the discharge of the duties of his office and shall not make use of any information acquired by virtue of his position to gain, directly or indirectly, an improper advantage for himself or for any other person or cause detriment to the Company.   | As to the duty and liability of the Director |
| 117. | Every Director shall give notice to the Company of such events and matters relating to himself as may be necessary or expedient to enable the Company and its officers to comply with the requirements of the Act.  | General duty to make disclosure              |

### ***Proceedings of Directors***

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| 118. | The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit. A Director may at any time and the Secretary shall on the requisition of a Director summon a meeting of the Directors.   | Directors Meeting        |
| 119. | A Director may at any time and the Secretary shall on the requisition of a Director summons a meeting of the Directors by giving them not less than seven (7) days' notice specifying the place, date and hour of the meeting and the business to be discussed thereat. Notwithstanding the foregoing, the Directors of the Company may requisite for any Board meeting to be convened by shorter notice, called Emergency Board Meeting.<br><br>The Directors may also hold a meeting of Directors at two (2) or more venues within or outside Malaysia using any technology that gives the Directors as a whole a reasonable opportunity to participate. A minute of the proceedings of such meeting is sufficient evidence of the proceedings to which it relates. | Notice sent to Directors |
| 120. | Any irregularity in the notice of a meeting is waived if all Directors entitled to receive notice of the meeting attend the meeting without objection to the  | Irregularity in Notice   |

	irregularity.	
121.	The quorum necessary for the transaction of the business of the Directors shall comprise a simple majority of the then total number of Directors of the Company unless fixed by the Directors at any other number not being less than a simple majority of the then total number of Directors of the Company.	Quorum
122.	A meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretion by or under this Constitution vested in or exercisable by the Directors generally. Every Director has one vote. Subject to this Constitution, questions arising at any meeting of the Directors shall be decided by a majority of votes.	Proceedings of meeting
123.	In case of equality of votes, the Chairman shall have a second/casting vote. Where only two (2) Directors are competent to vote on the question at issue, or at the quorum present at the meeting, the Chairman shall not have a casting vote.	Chairman has casting vote
124.	The continuing Directors or sole continuing Director may continue to act notwithstanding any vacancy in their body but if and so long as their number is reduced below the number fixed by or pursuant to this Constitution, the continuing Director or Directors may, except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number, or to summon a general meeting of the Company.	Number reduced below quorum
125.	Any Director may participate at a meeting of Directors by way of telephone and video conferencing or by means of other communication equipment whereby all persons participating in the meeting are able to hear each other and be heard for the entire duration of the meeting in which event such Director shall be deemed to be physically present at the meeting. A Director participating in a meeting in the manner aforesaid may also be taken into account in ascertaining the presence of a quorum at the meeting. Any meeting held in such manner shall be deemed to be held at such place as shall be agreed upon by the Directors attending the meeting PROVIDED that at least one of the Directors present at the meeting was at such place for the duration of that meeting. All information and documents must be made equally available to all participants prior to or at/during the meeting.	Participation of Directors' meetings by way of telephone and video conferencing
126.	The Directors may from time to time elect and remove a Chairman and Deputy Chairman of the Board and determine the period for which they are respectively to hold office. The Chairman so elected, or in his absence the Deputy Chairman, shall preside at all meetings of the Directors but if no such Chairman or Deputy Chairman be elected, or if at any meeting the Chairman or Deputy Chairman be not present within 15 minutes after the time appointed for holding the same, the Directors present shall choose one of their number to act as Chairman of such meeting.	Chairman and Deputy Chairman
127.	Every Director shall comply with the provisions of Sections 219 and 221 of the Act in connection with the disclosure of his shareholding and interest in any contract or proposed contract with the Company and in connection with the disclosure of the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly duties or interests might be created in conflict with his duty or interest as a Director of the Company.	Disclosure of interest in contracts, property, officer, etc.
128.	A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest. Without prejudice to the generality of the foregoing, a Director shall also not vote in regard to any contract or proposed contract or arrangement with any other company in which he is interested either as an officer of that other company or as a holder of shares or other Securities in that other company.	Directors refrained from voting in interested transactions
129.	A Director, notwithstanding his interest may, provided that none of the other Directors present disagree, be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any office or place of profit	Director appointed at a meeting to hold other office to be counted in the

under the Company or whereat the Directors resolve to exercise any of the rights of the Company, (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company or whereat the terms of any such appointment as hereinafter mentioned are considered or whereat any decision is taken upon any contract or arrangement in which he is in any way interested provided always that he has complied with Section 221 and all other relevant provisions of the Act, the Listing Requirements and of this Constitution.

quorum

130. Subject to Clause 128, a Director may vote in respect of:-

Director may vote on the giving of security or indemnity where he is interested

130.1 any arrangement for giving the Director himself or any other Director security or indemnity in respect of money lent by him to or obligations undertaken by him or the benefit or the Company; or

130.2 any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security.

By ordinary resolution of the Company the provisions of this Clause may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract, arrangement or transaction, and any particular contract, arrangement or transaction carried out in contravention of this Clause may be ratified.

131. A Director may be or become Director or other officer of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise, or any corporation, which is directly or indirectly interested in the Company as shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a Director or officer of, or from his interest in, such corporation, unless the Company otherwise directs at the time of his appointment. The Directors may exercise the voting power conferred by the shares or other interest in any such other corporation held or owned by the Company, or exercisable by them as Directors of such other corporation in such manner and in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of the Directors or other officers of such corporation) and any Director may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be, or is about to be appointed, a Director or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in manner aforesaid provided always that he has complied with Section 221 and all other relevant provisions of the Act, the Listing Requirement and of this Constitution.

Director may become directors or other officers of any corporation promoted by the Company

### ***Committees of Directors***

132. The Directors may establish any committees, local boards or agencies, comprising of one or more such Member as Members of its body, for managing any of the affairs of the Company, either in Malaysia or elsewhere, and may lay down, vary or annul such rules and regulations as they may think fit for the conduct of the business thereof, and may appoint any other person or persons to be the Member or Members of any such committee or local board or agency and may fix their remuneration, and may delegate to any such committee or local board or agency any of these powers, authorities and discretion vested in the Directors, with power to sub-delegate, and may authorise the Member or Members of any such committee or local board, or any of them, to fill any vacancies therein, and to act notwithstanding vacancies, and any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit, and the Directors may remove any person so appointed, and may annul or vary any such delegation, but no persons dealing in good faith without notice of any such annulment or variation shall be

Directors may establish committee etc.

affected thereby.

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| 133. | Notwithstanding any provisions to the contrary contained in this Constitution, any Member of a committee may participate at a committee meeting by way of telephone and video conferencing or by means of other communication' equipment whereby all persons participating in the meeting are able to hear each other, in which event such Member shall be deemed to be physically present at the meeting whether for the purposes of these Constitution or otherwise. A Member participating in a meeting in the manner aforesaid may also be taken into account in ascertaining the presence of a quorum at the meeting. Any meeting held in such manner shall be deemed to be held at such place as shall be agreed upon by the Members attending the meeting PROVIDED that at least one of the Members present at the meeting was at such place for the duration of that meeting. | Participation at committee meetings by way of telephone and video conferencing |
| 134. | The meetings and proceedings of any such committee shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors so far as the same are applicable thereto and are not superseded by a regulation made by the Directors under this Constitution.  | Meeting of the committee   |
| 135. | Subject to any rules and regulations made hereunder, a committee may meet and adjourn as it thinks proper, and questions arising at any meeting shall be determined by a majority of votes of the Members present (if more than one), and in the case of an equality of votes, the Chairman shall have a casting vote.  | Proceedings of the committee   |
| 136. | A committee, local board or agency may elect a Chairman of its meetings, if no such Chairman is elected, or if at any meeting, the Chairman is not present within 15 minutes after the time appointed for holding of the meeting, the Members present may choose one of their number to be the Chairman at the meeting.   | Chairman of the committee  |

#### ***Validation of Acts of Directors***

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| 137. | All acts done by any meeting of the Directors or a Committee of Directors or by any person acting as a Director, local board or agency shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they, or any of them were disqualified, or had vacated office or were not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director or Member of such committee, local board or agency as aforesaid and had been entitled to vote. | Validation of acts of Directors or committee |
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#### ***Circular Resolutions***

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| 138. | A resolution in writing signed or approved by letter, telegram, telex, telefax or electronic means by a majority of the Directors for the time being entitled to receive notice of a meeting of Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted; provided that where a Director is not so present but has an alternate who is so present, then such resolution shall also be signed by such alternate. All such resolutions shall be described as "Directors' Resolution in Writing" and shall be forwarded or otherwise delivered to the Secretary without delay and shall be recorded by him in the Company's minutes book. Any such resolution in writing may consist of several documents including facsimile or other similar means of communication, in similar form, each document shall be signed or assented to by one or more Directors or their alternates. A copy of any such resolution shall be entered in the minutes book of Board proceedings. | Circular Resolution |
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#### ***Managing Director***

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| 139. | The Directors may from time to time appoint any one or more of their body to be | Directors may appoint managing |
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	Managing Director or Managing Directors. Subject to Clause 97.1, any such appointment shall be subject to reappointment and on such terms as they think fit and may vest in such Managing Director or Managing Directors as may be appointed by them such of the powers hereby vested in the Directors generally as they may think fit. The Managing Director or Managing Directors shall be subject to the control of the Board.	Director and Term of appointment
140.	The remuneration of the Managing Director or Managing Directors shall subject to the terms of any agreement entered into in any particular case may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover but it may be a term of their appointment that they shall receive pension, gratuity or other benefits upon their retirement.	Remuneration
141.	The Managing Director or Managing Directors shall, while they continue to hold such offices, be subject to retirement by rotation in accordance with Clause 97, and they shall, subject to provisions of any contract between them and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company and, if they cease to hold the office of Director from any cause, they shall ipso facto and immediately cease to be Managing Director or Managing Directors.	Managing Director reckoned as Director for purposes of rotation and retirement
<b>Minutes and Registers</b>		
142.	The Directors shall cause minutes to be duly entered in books provided for the purpose:	Minutes
	142.1 of all appointments of officers;	
	142.2 of the names of all the Directors present at each meeting of the Directors and of any Committee of Directors and of the Company in general meeting;	
	142.3 of all resolutions and proceedings of general meetings and of meetings of the Directors and Committees of Directors; and	
	142.4 of all orders made by the Directors and any Committee of Directors.	
	Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated.	
143.	Where a resolution is passed at an adjourned meeting of the Board, the resolution shall, for all purposes, be treated as having been passed on the date on which it was in fact passed and shall not to be deemed to have been passed on any earlier date.	Minutes of adjourned meeting
144.	The Company shall in accordance with the provisions of Section 57 of the Act, keep at the Office or such other place provided notice has been given to the Registrar of Companies, a register containing such particulars with respect to the Directors, managers and secretaries of the Company as are required by and shall from time to time notify the Registrar of Companies of any change in such register and of the date of such change in manner prescribed by that section.	Register of Directors, Managers and Secretaries
145.	The books containing the minutes of proceedings of any general meeting shall be kept by the Company at the Office or such other place provided notice has been given to the Registrar of Companies and shall be open to the inspection of any Member without charge.	Minutes books in registered office
146.	The Company shall also keep at the Office or such other place provided notice has been given to the Registrar of Companies, a register which shall be opened	Register of Shareholders, particulars of



to the inspection of any Member without charge and to any other person on payment of such prescribed fee as may be determined by the Company, all such matters required to be so registered under the Act, and in particular:-

Directors' Shareholding

146.1 a register of substantial shareholders and of information received in pursuance of the requirements under Sections 137, 138 and 139 of the Act;

146.2 a register of the particulars of each of the Directors' shareholdings and interests as required under Section 59 of the Act.

146.3 a register of mortgages and charges as required under Section 357 of the Act.

Mortgages and charges

### ***Associate Director***

147. The Directors may from time to time appoint any person to be an Associate Director and may from time to time cancel any such appointment. The Directors may fix, determine and vary the powers, duties and remuneration of any person so appointed, but a person so appointed shall not be required to hold any shares to qualify him for appointment nor have any right to attend or vote at any meeting of Directors except by the invitation and with the consent of the Directors.

Associate Director

### ***The Secretary***

148. (1) The Secretary must be appointed by the Directors in accordance with the Act for any term, at any remuneration, and upon any conditions as the Directors may think fit.

The Secretary

(2) The Directors may from time to time, by resolution appoint an assistant or deputy Secretary or joint Secretaries, who shall be deemed also to be the Secretary during the term of his appointment.

(3) A Secretary may resign from his office by giving a notice to the Board.

(4) If none of the Directors of the Company can be communicated with at the last known residential address, the Secretary may, notwithstanding paragraph (3), notify the Registrar of Companies of the fact and of his intention to resign from the office.

(5) The Secretary shall cease to be the Secretary of the Company –

(a) on the expiry of thirty days from the date of the notice lodged under paragraph (3) or the terms of appointment, as the case may be; or

(b) on the expiry of thirty days from the date of the notice to the Registrar of Companies under paragraph (4).

### ***Seal***

149. (1) The Directors must provide for the safe custody of the Seal.

The custody and affixing of the Seal

(2) The Seal must only be used by the authority of the Directors or of a committee of the Directors authorised by the Directors to use the Seal.

(3) Every instrument to which the Seal is affixed must (subject to the provisions of this Constitution as to certificates for shares) be signed by a Director and must be countersigned by the Secretary or by a second Director or by another person appointed by the Directors for the purpose of countersigning the instrument to which the Seal is affixed. During any period where the Company has only one Director, and where the

Company does not have a Secretary, an instrument to which the Seal is affixed need only be signed by that one Director.

- (4) The Company may have an official Seal as referred to in the Act which shall be a facsimile of the common Seal with the addition on its face of the word "Securities".
- (5) The Company may exercise the powers conferred by the Act with regard to having an official Seal for use outside Malaysia, and such powers shall be vested in the Directors.

### ***Reserves***

- 150. The Directors may, before recommending any dividend, whether preferential or otherwise, set aside out of the profits of the Company such sums as they think proper as a reserve fund to meet depreciation or contingencies, or for equalising dividends or for the payment of special dividends, or for the general liquidation of any debt or liability of the Company or for repairing, improving or maintaining any of the property of the Company, or for such other purposes (being purposes for which the profits of the Company may lawfully be applied) as the Directors shall in their absolute discretion think conducive to the interest of the Company, and may invest the several sums so set aside upon such investments as they think fit (including purchasing shares in the Company to the extent and in the manner allowed by the Act and subject to the provisions of this Constitution) and from time to time vary or realise such investments and dispose of all or any part thereof for the benefit of the Company, and may divide any reserve fund into such special funds as they think fit, with all power to employ the assets constituting the reserve fund in the business of the Company, and that without being bound to keep the same separate from the other assets. The Directors may also, without placing the same to reserve, carry forward any profits which they may think prudent not to divide.
- Creation of  
reserve fund

### ***Dividend***

- 151. The profits of the Company available for dividend and determined to be distributed shall be applied in the payment of dividends to the Members in accordance with their respective rights and priorities. The Company in general meeting may declare dividends accordingly.
- Payment of  
dividends
- 151.1 Subject to the approval being obtained from the members of the Company and the Listing Requirements, the Company may issue shares pursuant to a Dividend Reinvestment Scheme to all its members who are entitled to dividend in accordance with the provisions of the Act and any rules, regulations and guidelines there under or issued by the Exchange and any other relevant authorities in respect there.
- Dividend  
Reinvestment  
Scheme
- 152. Without prejudice to the powers of the Company to pay interest on share capital as hereinbefore provided, no dividend shall be paid otherwise than out of profits nor shall any dividend or other monies payable on or in respect of any share bear interest against the Company and no dividend shall be paid in excess of the amount recommended by the Directors.
- Dividends to be  
paid out of profits
- 153. Subject to the rights of persons (if any) entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, but no amount paid up on a share in advance of call shall be treated for the purposes of this Clause as paid up on the share. All dividends shall be apportioned and paid pro-rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid except that if any share is issued on terms providing that it shall rank for dividend as if paid up (in whole or
- Dividends in  
proportion to  
amounts paid

in part) as from a particular date, such share shall rank for dividend accordingly.

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| 154. | (a)   | The Directors may if they think fit from time to time pay to the Members such dividends as appear to the Directors to be justified by the profits of the Company and provided that the Company is solvent.   | Dividends  |
|      | (b)   | The Directors may authorise a distribution of dividend at such time and in such amount as the Directors consider appropriate and, if the Directors are satisfied that the Company will be solvent immediately after the distribution is made.  |  |
|      | (c)   | The Company is regarded as solvent if the Company is able to pay its debts as and when the debts become due within twelve (12) months immediately after the distribution is made.  |  |
|      | (d)   | If, after a distribution is authorised and before it is made, the Directors cease to be satisfied on reasonable grounds that the Company will be solvent immediately after the distribution is made, the Directors shall take all necessary steps to prevent the distribution from being made.   |  |
|      | (e)   | If at any time the share capital of the Company is divided into different classes the Directors may pay such dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Directors act bona fide they shall not incur any responsibility to the holder of shares conferring any preferential rights for any damage that they may suffer by reason of the payment of a dividend on any shares having deferred or non- preferential rights. The Directors may also pay half-yearly or at other suitable intervals to be determined by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits justify the payment.           |  |
| 155. | 155.1 | The Directors may deduct from any dividend payable to any Member all sums of money (if any) immediately payable by him to the Company on account of calls or otherwise in relation to the shares of the Company held by him.   | Debts may be deducted from dividends                         |
|      | 155.2 | The Directors may retain any dividend or other moneys payable on or in respect of a share other than fully paid shares on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.   |  |
| 156. |       | Subject to the provisions of the Act where any asset, business or property is bought by the Company as from a past date upon the terms that the Company shall as from that date take the profits and bear the losses thereof, such profits or losses as the case may be, shall, at the discretion of the Directors, be credited or debited wholly or in part to revenue account, and in that case the amount so credited or debited shall, for the purpose of ascertaining the fund available for dividend, be treated as a profit or loss arising from the business of the Company and available for dividend accordingly. Subject as aforesaid, if any shares or Securities are purchased cum dividend or interest such dividend or interest when paid may at the discretion of the Directors be treated as revenue and it shall not be obligatory to capitalise the same or any part thereof. | Asset, business or property bought by the Company has a lien |
| 157. |       | The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a Member, or which any person is under those provisions entitled to transfer, until such person shall become a Member in respect of such shares or shall transfer the same.   | Power to retain dividends on which the Company has a lien    |
| 158. |       | All dividends unclaimed for more than one year after having been declared may  | Unclaimed dividends  |

be dealt with in accordance with the provisions of the Unclaimed Monies Act, 1965.

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| 159. | Any dividend declared on Deposited Securities shall accrue to the Depositors whose names appear on the Record of Depositors issued to the Company or the Company's Registrar pursuant to the Rules.   | Transfer not to affect right to dividend declared before registration |
| 160. | Any dividend, interest or other money payable in cash in respect of shares may be paid by way of direct transfer by means of the electronic payment systems upon terms and subject to conditions as the Directors may stipulate or by cheque or warrant and sent through the post directed to the registered address of the holder or to such person and to such address as the holder may in writing direct or, if several persons are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons or to such person and to such address as such persons may by writing direct, subject to the Rules. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and the payment of any such cheque or warrant shall operate as a good discharge to the Company in respect of the dividend represented thereby. Every such cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented. No unpaid dividend or interest shall bear interest against the Company. | Mode of payment of dividend   |
| 161. | Any general meeting declaring a dividend or bonus may upon the recommendation of the Directors, make direct payment of such dividend or bonus wholly or in part by the distribution of specific assets, and in particular of paid-up shares or debenture or debenture stock of any other company, or in any one or more of such ways, and the Directors shall give effect to such resolution, and where any difficulty arises in regard to the distribution the Directors may settle the same as they think expedient, and in particular may issue fractional shares and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payment shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustee upon such trusts for the persons entitled to the dividend as may seem expedient to the Directors.  | Power to distribute dividend in specie                                |

### ***Capitalisation of Profits***

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| 162. | Subject to the provisions of the Act and the Listing Requirements, the Company may, upon the recommendation of the Directors, by ordinary resolution resolve either unconditionally or subject to such conditions as it may deem fit that it is desirable to capitalise any sum standing or which will stand to the credit of the profit and loss account or otherwise available or which will become available for distribution, provided that such sum be not required for paying the dividends on any shares carrying a fixed cumulative preferential dividend, and accordingly that the Directors be authorised to appropriate the sum resolved to be capitalised to the Members holding ordinary shares in the proportions in which such sum would have been divisible amongst them had the same been applied or been applicable in paying dividends and to apply such sum; their behalf, either in or towards paying the amounts (if any) for the time being unpaid on any shares held by such Members respectively, or paying up in full unissued shares or debentures of the Company, such shares or debentures to be allotted and distributed credited as fully paid up to and amongst such Members in the proportion aforesaid or partly in one way and partly in the other. | Capitalisation of profits   |
| 163. | Whenever such a resolution as aforesaid shall have been passed, the Directors shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto, with full power to the Directors to make such provision by the issue of fractional shares or by payment in cash or otherwise as they think fit for the   | Appropriation and allotment |

case of shares or debentures becoming distributable in fractions, and also to authorise any person to enter on behalf of all the Members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares or debentures to which they may be entitled upon such capitalisation, or (as the case may require) for the payment up by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalised of the amounts or any part of the amounts remaining unpaid on their existing shares, and any agreement made under such authority shall be effective and binding on all such Members.

### ***Financial Statements***

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| 164. | The Directors shall cause proper accounting and other records to be kept and shall distribute copies of financial statements and other documents as required by the Act and shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounting and other records of the Company or any of them shall be open to the inspection of Members not being Directors, and no Member (not being a Director) shall have any right of inspecting any account or book or paper of the Company except as conferred by statute or authorised by the Directors or by the Company in general meeting. Subject always to Section 245 of the Act, the books of account or records of operations shall be kept at the Office or at such other place as the Directors think fit and shall always be open to inspection by the Directors.  | Directors to keep proper financial statements                  |
| 165. | The Directors shall from time to time in accordance with Section 248 of the Act, cause to be prepared and laid before the Company in general meeting such financial statements and report as are referred to in the section. A copy of each such documents shall not less than twenty-one (21) days (or such other shorter period as may be agreed by all Members entitled to attend and vote at the meeting) before the date of the meeting, be sent to every Member of, and to every holder of debentures of the Company under the provisions of the Act or of this Constitution in electronic form, which shall be transmitted to the electronic address provided by the securities holders to the Company for such purpose or by publishing on a website provided that this Clause shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office. | Financial Statements to be made-up and laid before the Company |

### ***Audit***

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| 166. | Auditors shall be appointed in accordance with the Act and their duties regulated in accordance with the Act.   | Appointment of auditors                                     |
| 167. | Subject to the provisions of the Act all acts done by any person acting as an Auditor shall, as regards all persons dealing in good faith with the Company, be valid, notwithstanding that there was some defect in his appointment or that he was at the time of his appointment not qualified for appointment | Validity of acts of Auditors in spite of some formal defect |
| 168. | The Auditors shall be entitled to attend any general meeting and to receive all notices of and other communications relating to any general meeting which any Member is entitled to receive, and to be heard at any general meeting on any part of the business of the meeting which concerns the Auditors.     | Auditors entitled to attend general meeting                 |

### ***Language***

- |      |   |          |
|------|---|----------|
| 169. | Where any accounts, minutes books or other records required to be kept by the Act are not kept in Bahasa Malaysia or the English language, the Directors shall cause a true translation of such accounts, minutes books and other records to be made from time to time at intervals of not more than seven (7) days and shall cause such translation to be kept with the original accounts, minutes books and other records for so long as the original accounts, minutes books and other records are required by the Act to be kept. | Language |
|------|---|----------|

### ***Destruction of Records***

170. The Company shall be entitled to destroy, in any manner, all instruments of transfer which shall have been registered at any time after a reasonable time from the date of registration thereof, and all share certificates and dividend mandates which have been cancelled or have ceased to have effect at any time after the expiration of one year from the date of cancellation or cessation thereof, and all notifications of change of name or address after the expiration of one year from the date they were recorded, and in favour of the Company it shall conclusively be presumed that every entry in the register which purports to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every share certificate so destroyed was a valid certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company provided that:-
- 170.1 the foregoing provisions of this Clause shall apply only to the destruction of a document in good faith and without express notice that the preservation of such document was relevant to a claim; and
- 170.2 nothing contained in this Clause shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company but for the provisions of this Constitution.
- Company may destroy documents

### ***Authentication of Documents***

171. 171.1 Any Director or the Secretary or any person appointed by the Directors for the purpose shall have power to authenticate any documents affecting the constitution of the Company and any resolution passed by the Company or the Directors, and any books, records, documents and accounts relating to the business of the Company, and to certify, copies thereof or extracts therefrom as true copies or extracts; and where any books, records, documents or accounts are kept elsewhere other than in the Office, the local manager or other officer of the Company having the custody thereof shall be deemed to be a person appointed by the Directors as aforesaid.
- 171.2 A document purporting to be a copy of a resolution of the Directors or an extract from the minutes of a meeting of the Directors which is certified as such in accordance with the provisions of the last preceding Clause shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such extract is a true and accurate record of a duly constituted meeting of the Directors.
- Appointed persons
- Certified copies of resolutions of the Directors

### ***Notices***

172. A notice or other document shall be served by the Company or the Secretary on any Member or Director, as the case may be, either personally or by sending it through the post in prepaid letter addressed to such Member or Director at his registered address or service address as appearing in the Register of Directors and the Records of Depositors, as the case may be, in Malaysia or (if he has no address within Malaysia) to the address, if any, within Malaysia supplied by him to the Company for the giving of notices to him.
173. A notice or other document if served by post shall be deemed to be served three (3) days following that on which a properly stamped letter containing the same is posted. In proving service by post it shall be sufficient to prove that the letter containing the notice or document was properly addressed and stamped and put
- Mode of service of notice
- Deemed time of notice

into a Government post office letter box.

174. A notice or other document may also be served by the Company or the Secretary on any Director in hard copy, in electronic form or partly in hard copy and partly in electronic form. Notices given in hard copy shall be sent to the Director personally or by post to the address supplied by the Director for such purpose or if given in electronic form, transmitting to the electronic address provided by the Director for such purpose. Services of notice by hard copy or electronic form
175. Every person who, by operation of law, transfer, transmission or other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share, which, previously to his name and address being entered in the Record of Depositors as the registered holder of such share, shall have been duly given to the person from whom he derives the title to such share provided always that a person entitled to a share in consequence of the death or bankruptcy of a Member, upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share, and upon supplying also an address within Malaysia for the service of notices, shall be entitled to have served upon him at such address any notice or document to which the Member but for his death or bankruptcy would be entitled, and such service shall for all purposes be deemed a sufficient service of such notice or document on all persons interested (as claiming through or under him) in the share. Person entitled to shares by transfer, transmission, etc. bound by notice
176. Subject always to the provisions of Clause 175, any notice or document in hard copy or electronic form or partly in hard copy and partly in electronic form delivered or sent by post to, or left at, the registered address or electronic address provided by any Member shall, if such Member be then deceased, and whether or not the Company has notice of his death, be deemed to have been duly served on his legal personal representatives. Notices by post to persons entitled in consequence of death
177. 177.1 Notice of every general meeting shall be given in any manner herein before specified to:- Persons entitled to notice of general meeting
- (a) every Member at his registered address as appearing in the Record of Depositors, as the case may be, in Malaysia, or (if he has no address within Malaysia) to the address, if any, within Malaysia supplied by him to the Company for the giving of notices to him;
  - (b) every Member in electronic form which shall be transmitted to the electronic address provided by the Member to the company for such purpose or by publishing on a website;
  - (c) every person entitled to a share in consequence of the death or bankruptcy of a Member who, but for his death or bankruptcy, would be entitled to receive notice of the meeting;
  - (d) the auditor for the time being of the Company; and
  - (e) the Exchange.
- 177.2 Save as otherwise provided in this Constitution or in the Act, no other person shall be entitled to receive notice of general meetings.
- 177.3 Any notice on behalf of the Company or of the Board shall be deemed effectual if it purports to bear the signature of the Secretary or other duly authorised officer of the Company.

### ***Winding Up***

178. If the Company is wound up (whether the liquidation is voluntary, under supervision, or by the Court), the liquidator may, with the sanction of a special Distribution in specie

resolution of the Company, divide amongst the Members in specie or in kind the whole or any part of the assets of the Company (whether they consist of property of the same kind or not) and may for that purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of any such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, thinks fit, but so that no Member shall be compelled to accept any shares or other Securities whereon there is any liability.

179. Save that this Constitution shall be without prejudice to the rights of holders of shares issued upon special terms and conditions, the following provisions shall apply:-
- 179.1 If the Company shall be wound up and the assets available for distribution among the Members as such, shall be insufficient to repay the whole of the paid up capital such assets shall be distributed so that as nearly as may be the losses shall be borne by the Members in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding-up, on the shares held by them respectively.
- 179.2 If in a winding-up the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding-up, the excess shall be distributed among the Members in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding up, on the shares held by them respectively.
180. On a voluntary winding up of the Company, no commission or fee shall be paid to a liquidator without the prior approval of the Members in general meeting. The amount of such commission or fee shall be notified to all Members not less than seven (7) days before the meeting at which it is to be considered.

Distribution of assets

Commission or fee to liquidators

#### ***Secrecy Clause***

181. Save as may be provided by the Act, no Member shall be entitled to enter into or upon or inspect any premises or property of the Company nor to require discovery of any information respecting any detail of the Company's trading, manufacturing or any matter which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors, it would be inexpedient in the interest of the Members of the Company to communicate to the public.

Secrecy

#### ***Indemnity***

182. Subject to the provisions of the Act, every Director, Chief Executive Officer, Managing Director, agent, auditor, Secretary and other officer for the time being of the Company shall be entitled to be indemnified out of the assets of the Company (including effect of insurance) against all losses or liabilities which he may sustain or incur in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under the Act in which relief is granted to him by the Court in respect of any negligence, default, breach of duty or breach of trust.

Indemnity to the Directors, Managing Director Secretary etc.

#### ***Reconstruction***

183. On the sale of the undertaking of the Company, the Directors or the liquidators on a winding up may, if authorised by a special resolution, accept fully paid or partly paid-up shares, debentures or Securities of any other company, either then existing or to be formed for the purchase in whole or in part of the property of the Company, and the Directors (if the profits of the Company permit), or the

Reconstruction



liquidators (on-a winding up), may distribute such shares or Securities, or any property of the Company amongst the Members without realisation, or vest the same in trust for them and any special resolution may provide for the distribution or appropriation of the cash, shares or other Securities, benefits or property, otherwise than in accordance with the strict legal rights of the Members or contributories of the Company, and for valuation of any such Securities or property at such price and in such manner as the meeting may approve, and all holders of shares shall be bound to accept and shall be bound by any valuation or distribution so authorised, and waive all rights in relation thereto, save only in the case of the Company which is proposed to be or is in the course of being wound up, such statutory rights (if any) under the Act as are incapable of being varied or excluded by these Clauses.

### ***Effect of the Listing Requirements***

- |      |       |   |                                |
|------|-------|---|--------------------------------|
| 184. | 184.1 | Notwithstanding anything contained in this Constitution, if the Listing Requirements prohibit an act being done, the act shall not be done.   | Effect of Listing Requirements |
|      | 184.2 | Nothing contained in this Constitution prevents an act being done that the Listing Requirements require to be done.   |                                |
|      | 184.3 | If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).                             |                                |
|      | 184.4 | If the Listing Requirements require this Constitution to contain a provision and they do not contain such a provision, this Constitution are deemed to contain that provision.          |                                |
|      | 184.5 | If the Listing Requirements require this Constitution not to contain a provision and they contain such a provision, this Constitution are deemed not to contain that provision.         |                                |
|      | 184.6 | If any clause of this Constitution is or becomes inconsistent with the Listing Requirements, these clauses are deemed not to contain that provision to the extent of the inconsistency. |                                |

### ***The Act, Central Depositories Act and the Rules***

- |      |  |   |
|------|--|---|
| 185. | Notwithstanding this Constitution, the Company shall comply with the Act, Central Depositories Act, the Listing Requirements and the Rules in respect of all matters relating to Securities or otherwise where applicable. | Compliance with the Act, Central Depositors Act and Rules |
|------|--|---|

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# **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 5008  
**COMPANY NAME** : Harrison's Holdings (Malaysia) Berhad  
**FINANCIAL YEAR** : December 31, 2018

## **OUTLINE:**

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Harrison's Holdings (Malaysia) Berhad ("HHMB" or "the Company") understands that the responsibility for good Corporate Governance rests with them and therefore strives to follow the principles and best practices stated in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017").</p> <p>In discharging its duties and roles effectively, the Board is also guided by the Board Charter, which sets out the principles and guidelines that are to be applied by the Board. The Board is charged with leading and managing the Company in an effective and responsible manner and is constantly mindful of the need to safeguard the interests of the stakeholders of Harrison's Group of Companies ("the Group"). All Directors have a legal duty to act in the interest of the Company and are aware of their responsibilities towards the shareholders and other stakeholders. The Board sets the Company's values and standards and ensures that its obligations to its shareholders and other stakeholders are met.</p> <p>The Board Charter that has set out the principle roles and responsibilities of the Board can be viewed at the Company's website.</p> <p>Management team will support the Executive Director and run the general operations and business of the Group, in accordance with the delegated authority of the Board.</p> <p>In general, the Non-Executive Directors are independent of Management. Their roles are to constructively challenge the Management and monitor the success of Management in delivering the approved targets and business plans within the risk appetite set by the Board. They have free and open contact with Management at all levels and will engage with the external and internal auditors to address matters concerning Management and oversight of the Group's business and operations.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Mr Pandjijono Adijanto @ Tan Hong Phang is the Non-Independent Non-Executive Chairman of the Company. Mr Pandjijono has broad exposure and extensive experience in the international trade and investment arena. As a Chairman, he plays a vital role in leading and guiding the Board and serves as the communication point between the Board and Group Managing Director ("Group MD").</p> <p>As provided under the Company's Board Charter, the Chairman is responsible for, among others:</p> <ol style="list-style-type: none"><li>leading the Board in setting the values and standards of the Company;</li><li>maintaining a relationship of trust with and between the Executive and Non-Executive Directors;</li><li>ensuring the provision of accurate, timely and clear information to Directors;</li><li>ensuring effective communication with the shareholders and other stakeholders;</li><li>arranging regular evaluation of the performance of the Board, its Committees and individual Directors;</li><li>facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations be maintained between Executive and Non-Executive Directors.</li></ol> <p>The Chairman, in consultation with the Group MD and the Company Secretary sets the agenda for Board meetings and ensures that all relevant issues are on the agenda.</p> <p>The Chairman is also responsible for managing the business of the Board to ensure that:</p> <ol style="list-style-type: none"><li>All Directors are properly briefed on issues arising at Board meetings;</li><li>sufficient time is allowed for the discussion of complex or contentious issues and, where appropriate, arranging for informal meetings beforehand to enable thorough preparation for the Board discussion; and</li><li>the issues discussed are forward looking and concentrates on strategy.</li></ol>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company aims to ensure a balance of power and authority between the Chairman and the Group MD with a clear division of responsibilities between the running of the Board and the Company's business respectively. The positions of Chairman (i.e. Non-Executive Chairman) and Group MD are separated and clearly defined in the Company's Board Charter.</p> <p>The Board is headed by Mr Pandjijono Adijanto @ Tan Hong Phang, the Non-Independent Non-Executive Chairman whereas Mr Chan Poh Kim assumes the role of Group MD.</p> <p>The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Group MD, together with his Management team are responsible for implementing the plans chartered out and the day to day management of the Group, with clear authority delegated by the Board.</p> <p>The distinct and separate roles of the Chairman and Group MD, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.</p> <p>The respective duties and responsibilities of the Chairman and the Group MD are clearly defined in the Board Charter.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied	
Explanation on application of the practice	:	The Board is supported by Company Secretaries who are qualified to act pursuant to Companies Act 2016.	
		The Directors have unrestricted access to the services of the Company Secretary to enable them to discharge their duties effectively.	
		The Board is regularly updated and apprised by the Company Secretary on the current governance practices and regulations issued by the regulatory authorities.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company aims to provide all Directors with timely and quality information and in a form and manner appropriate for them to discharge their duties effectively.</p> <p>Management is responsible for providing the Board with the required information in an appropriate and timely manner. The Chairman, assisted by the Company Secretary, assesses the type of information required to be provided to the Board. If the information provided by Management is insufficient, the Board will make further enquiries where necessary to which the persons responsible will respond as fully and promptly as possible.</p> <p>To facilitate the Directors' time planning, an annual meeting schedule is prepared and circulated at the beginning of every year, as well as the tentative closed periods for dealings in securities by Directors based on the targeted date of announcement of the Group's quarterly results.</p> <p>A full agenda and comprehensive Board papers are circulated to all Directors well in advance of each Board meeting.</p> <p>Amongst others, the Board papers include the following:</p> <ol style="list-style-type: none"><li>quarterly financial report and report on the Company's cash and borrowing positions;</li><li>minutes of meetings of all Committees of the Board;</li><li>a current review of the operations of the Company;</li><li>reports on Related Party Transactions and Recurrent Related Party Transactions;</li><li>Directors' share-dealings, including public shareholdings spread; and</li><li>annual management plans.</li></ol> <p>The minutes of each Board meeting are kept by the Company Secretary and are available for inspection by any Director during office hours.</p> <p>Management and professional advisors may be invited by the Board, should there be a need, for information or advice on matters that require expert knowledge.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

**Practice 2.1**

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is guided by its Board Charter which clearly sets out the Board's duties and responsibilities in discharging its fiduciary and leadership functions.</p> <p>The objectives of the Board Charter are to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good Corporate Governance are applied in all their dealings in respect, and on behalf of, the Company.</p> <p>To enhance accountability, the Board has established clear functions reserved for the Board, Board Committees, individual Directors and Management. In addition, the Board has delegated some of its authorities to various committees established in assisting the Board to execute its duties and responsibilities. There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands.</p> <p>The Board Charter addresses, among others, the following matters:-</p> <ul style="list-style-type: none"><li>• Role and responsibilities of the Board;</li><li>• Composition and Board balance;</li><li>• Appointment and re-election procedures;</li><li>• Supply of information and General meetings;</li><li>• The role of Chairman and Group MD;</li><li>• Board Committees;</li><li>• Financial Reporting; and</li><li>• Relationship with other stakeholders.</li></ul> <p>The Board Charter would be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have impact on the corporate governance</p>

	practices of the Company and the responsibilities of the Board in discharging its governance function.	
	The Board Charter is accessible for reference on the Company's website, <a href="http://www.harrisons.com.my">http://www.harrisons.com.my</a> .	
<b>Explanation for departure</b>	:	
	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group is committed to achieving and monitoring high standards pertaining to behaviour at work.</p> <p>The Board is strictly adhered to the Company Directors' Code of Ethics established by the Companies Commission of Malaysia in discharging its oversight role effectively. The Code of Ethics requires all Directors to observe high ethical business standards, apply these values to all aspects of the Group's business and professional practice, and act in good faith in the best interests of the Group and its shareholders. A summary of the Code of Ethics has been published on the corporate website, <a href="http://www.harrisons.com.my">http://www.harrisons.com.my</a>.</p> <p>The principle of this code is based on principles in relation to sincerity, integrity, responsibility and corporate social responsibility.</p> <p>This Code of Ethics is formulated to enhance the standard of corporate governance and corporate behaviour with the intention of achieving the following aims:</p> <ul style="list-style-type: none"><li>• To establish a standard of ethical behaviour for directors based on trustworthiness and values that can be accepted, are held or upheld by any one person.</li><li>• To uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administrating a company.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has adopted a Whistleblowing Policy whereby all employees are encouraged to report genuine concerns about unethical behaviour or malpractices. Any such concerns should be raised with the Senior Independent Non-Executive Director of the Company, Mr Foo Chow Luh. The whistleblowing policy is available at the corporate website.</p> <p>The Whistleblowing Policy is intended to directly support the Company's Core Values, Code of Ethics and Governance requirement. The Company places high value on the level of trust and integrity expected of its employees within its Group. It is also intended to encourage and enable employees and others to raise concerns within the Company prior to seeking resolution outside the Company.</p> <p>The Whistleblowing Policy outlines the Group's commitment to ensure that employees and other stakeholders are able to raise concerns regarding any illegal conduct or malpractice at the earliest opportunity without being subject to victimization, harassment or discriminatory treatment, and to have such concerns properly investigated. This policy sets out the mechanism and framework by which employees, contractors, consultants and any other individuals or organisation who have dealings with the Company can confidently voice concerns/ complaints in a responsible manner without fear of discriminatory treatment.</p> <p>The Whistleblowing Policy was approved by the Board on 12 April 2019. The Board or the Audit Committee can modify this policy unilaterally at any time without notice. Modification may be necessary, among other reasons, to maintain compliance with the laws and regulation and/ or accommodate organisational changes within the Company or Group. However, the modification made shall be effective after the same is circulated to employees in writing or electronically.</p>



<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board comprises of six (6) members, three (3) of which are Independent Non- Executive Directors as follows:</p> <ul style="list-style-type: none"><li>• Mr Foo Chow Luh</li><li>• Mr Chong Chee Fire</li><li>• Mr Wong Yoke Kong</li></ul> <p>The Independent Directors provide independent judgement, experience and objectivity without being subordinated to operational considerations. The Independent Directors help to ensure that, the interests of all shareholders, and not only the interests of a fraction or group, are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.</p> <p>The Nomination Committee has assessed the Board composition and is satisfied that the current size and composition has the required mix of skills, experience, knowledge and competencies, required for an effective Board.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Applied - Two Tier Voting
<b>Explanation on application of the practice</b>	:	<p>The Board has adopted a nine-year policy for Independent Non-Executive Directors. An Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. Otherwise, the Board will justify and seek shareholders' approval at the Annual General Meeting in the event the Director is to be retained as an Independent Director. For a Director retained as an Independent Director after the twelfth (12) year, the Board shall seek shareholders' approval annually through a two-tier voting process as provided under the Malaysian Code on Corporate Governance 2017.</p> <p>Currently, there are three (3) long serving Independent Non-Executive Directors, namely Mr Chong Chee Fire, Mr Foo Chow Luh and Mr Wong Yoke Kong, who have each served more than nine (9) years as an Independent Director of the Company.</p> <p>The Board, based on the review and recommendation made by the Nomination Committee, had formed a unanimous opinion that the three (3) Independent Directors should continue to be independent as:</p> <ul style="list-style-type: none"><li>➤ they have met the criteria under the definition of Independent Director as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;</li><li>➤ they have exercised care in performing their duties, and provided unbiased, independent and objective views and judgement during board meetings and deliberations on all matters concerning the Group;</li><li>➤ the length of their service does not in any way impair their objective and independent judgement nor their ability to act in the best interests of the Group. On the contrary, their years of service on the Board have imbued them with a sound knowledge of the Group's business operations which enable them to participate actively and contribute during deliberations at board meetings. This together with their individual professional experience, awareness of corporate governance</li></ul>

	<p>and business acumen, have contributed positively to the Board's deliberations on all matters of the Group.</p> <p>Thus, the Nomination Committee had reviewed and recommended to the Board for Mr Wong Yoke Kong, Mr Foo Chow Luh and Mr Chong Chee Fire to continue to serve as Independent Directors of the Company, subject to annual shareholders' approval.</p> <p>Except for Mr Wong Yoke Kong whose shareholders' approval will be sought on a single tier voting basis, the Board will seek for shareholders' approval through a two-tier voting process as stipulated in the Malaysian Code on Corporate Governance 2017 for Mr Foo Chow Luh and Mr Chong Chee Fire, who had served the Company for the tenure of more than twelve (12) years to continue to serve as Independent Directors.</p>	
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.4**

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group practices non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, in the selection of Board members and senior management. The Board has adopted a Diversity Policy which is incorporated into the Company's Board Charter and published on the Company's website.</p> <p>The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company. Notwithstanding the challenges in achieving the appropriate level of diversity on the Board, the Board is continuing to work towards addressing this as and when vacancies arise and ensure that suitable candidates are identified. The Company's prime responsibility in new appointments is always to select the best candidates available.</p> <p>As and when vacancies arise at the Board and Senior management, the Board will take into consideration of different aspects such as professional experiences, business experiences, skills, knowledge, gender, age, ethnicity and educational background in identifies the suitable candidate for such vacancy. On senior management level, the Board will endeavour to achieve the diversity at this level as and when the need arises, the Board will consider on the appointment of more female candidates to senior management.</p> <p>Currently, there is one female director in the Board and one female in the senior management of the Group.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.5**

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>Presently, there is one (1) female director on the Board out of a total of six (6) Directors.</p> <p>The Board shall at any point of time to have at least one female representation on the Board. The Board has adopted a Diversity Policy and will through the Nomination Committee consider gender diversity as part of its future selection of candidates for Board and senior management positions and will look into increasing female representation on Board and senior management.</p> <p>The Diversity Policy, which is incorporated into the Board Charter is made available on the Company's website.</p>	
<b>Explanation for departure</b>	:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination Committee is responsible for recommending suitable candidates for Directorships to the Board. The responsibilities of the Nomination Committee are outlined in the Terms of Reference.</p> <p>In sourcing the suitable candidates for the Board, the Nomination Committee have access to a wide selection of candidates. Besides referrals from the Directors, Shareholders and Management, the following are the approaches used by the Nomination Committee in sourcing the candidates for the Board:-</p> <ul style="list-style-type: none"><li>- Directors' Registry;</li><li>- Industry and Professional Associations; and</li><li>- Independent / External Search Firms.</li></ul> <p>To enable Directors to devote sufficient time to carry out their responsibilities, Paragraph 15.06 of Main Market Listing Requirements restricts a Director of an applicant or a listed issuer from holding more than 5 directorships in listed issuers.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.7**

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Nomination Committee consists exclusively of Independent Non-Executive Directors, and is chaired by Mr Foo Chow Luh, the Senior Independent Non-Executive Director of the Company.</p> <p>The roles and responsibilities of the NC is available in the corporate website, <a href="http://www.harrisons.com.my">http://www.harrisons.com.my</a>.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination Committee reviews and evaluates the performance of the Board and its Committees on an annual basis, with a view to meeting current and future requirements of the Group. The evaluation comprises a Board and Board Committees Assessment, an Individual (Self &amp; Peer) Assessment and an Assessment of Independence of Independent Directors.</p> <p>The assessment of the Board is based on specific criteria, covering areas such as the Board operations, stakeholder relationship, and roles and responsibilities of the Board and the Board Committees.</p> <p>For Individual (Self &amp; Peer) Assessment, the assessment criteria include contribution to interaction, quality of outputs and understanding of roles and independence of Independent Directors.</p> <p>The results of the assessment would form the basis of the Nomination Committee's recommendation to the Board for the re-election of Directors at the next AGM.</p> <p>For the financial year ended 31 December 2018, the Nomination Committee had conducted one meeting to review the following:-</p> <ul style="list-style-type: none"><li>• Assessed the contribution of each individual Director;</li><li>• Reviewed the Board structure, size, composition and the balance between Executive Director, Non-Executive Directors and Independent Directors to ensure that the Board has the appropriate mix of skills and experience including core competencies which Directors should bring to the Board and other qualities to function effectively and efficiently;</li><li>• Reviewed the independence of Independent Directors;</li><li>• Discussed the annual retirement by rotation and re-election of Directors at the forthcoming AGM and recommended the same for re-election by the shareholders; and</li><li>• Reviewed the performance of the Chief Financial Officer ("CFO").</li></ul>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved, but without paying more than is necessary to achieve this goal.</p> <p>The Company has a Remuneration Policy set in place and the level of remuneration for the Group MD and Executive Directors is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies.</p> <p>A formal independent review of the Directors' remuneration is undertaken no less frequently than once every three (3) years. There is also adequate disclosure in the Annual Report with a note on the remuneration of Directors.</p> <p>The remuneration policy set out in the Board Charter of the Company is available on the Company's website.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has a Remuneration Committee comprised of Non-Executive Directors, with a majority of whom are Independent Non-Executive Directors.</p> <p>The members of the Remuneration Committee are as below:</p> <ol style="list-style-type: none"><li>1. Mr Pandjijono Adijanto @ Tan Hong Phang (Chairman) – Non-Independent Non-Executive Director</li><li>2. Mr Foo Chow Luh (Member) – Senior Independent Non-Executive Director</li><li>3. Mr Chong Chee Fire (Member) – Independent Non-Executive Director</li></ol> <p>The Remuneration Committee is responsible for recommending to the Board the policy framework on the terms of employment, remuneration and bonuses or incentives of the Executive Directors and senior management. The remuneration of the Non-Executive Directors is decided by the Board as a whole. Individual Directors abstain from deliberations and voting on their own remuneration at the Board and Remuneration Committee meetings.</p> <p>The Remuneration Committee is also responsible for recommending the remuneration for the senior management and that the remuneration should reflect the responsibility and commitment that goes with it.</p> <p>The Remuneration Committee reviews the remuneration policy each year with a view to ensuring it is fair and able to attract and retain talent who can add value to the Group. The Non-Executive Directors' fees are tabled at the Company's AGM for approval.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied	
Explanation on application of the practice	:	The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments are disclosed on named basis in the Annual Report 2018.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		



### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board is of the opinion that the disclosure of the top five (5) senior management's remuneration on a named basis would not be in the best interest of the Group due to competitive nature of the human resource market and to support the Group's efforts to attract and retain executives.</p> <p>The Board will ensure that the remuneration of the key senior management commensurate with their duties and responsibilities, the performance of the Company and in par with the market payouts.</p> <p>The Company believes that the non-disclosure of the information on key personnel and their remuneration will not affect the interest of its shareholders.</p> <p>As an alternative, the Company has the remunerations of its top five (5) senior management's remunerations in bands of RM50,000 in the Corporate Governance Overview Statement of the Annual Report 2018.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.1**

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board has established an Audit Committee which is chaired by the Senior Independent Non-Executive Director, Mr Foo Chow Luh. Meanwhile the Chairman of the Board is Mr Pandjijono Adjianto @Tan Hong Phang.</p> <p>As such, the Chairman of the Audit Committee is distinct from the Chairman of the Board.</p> <p>The remaining members of the Audit Committee are Mr Wong Yoke Kong and Mr Chong Chee Fire, both of which are Independent Non- Executive Directors of the Company.</p> <p>The responsibility of the Audit Committee is outlined in the terms of reference of the Audit Committee, including but not limited to review the Group's risk management and internal control, financial reporting, to review the appointment and performance of external auditors and internal audit function. The Terms of Reference of the Audit Committee is available on the Company's website at <a href="http://www.harrisons.com.my">http://www.harrisons.com.my</a>.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.2**

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>Currently, no former key audit partner of the external auditors of the Company is appointed as a member of the Audit Committee.</p> <p>However, the Audit Committee has adopted a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee and the said policy has been incorporated in the Terms of Reference of the Audit Committee.</p> <p>The Terms of Reference of the Audit Committee is available at the Company's website.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

### Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>An annual assessment of the competency and independence of the external auditors was conducted by the Audit Committee via a set of assessment questionnaire. In assessing the external auditors' performance and suitability, the Audit Committee considered, inter-alia, the independence, objectivity, professionalism, quality of services, sufficiency of resources and communication and interaction with the external auditors.</p> <p>The Audit Committee received assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out in the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.</p> <p>The Audit Committee was satisfied with the quality of audit and the performance, technical competency and sufficient resources provided to the Group. The Audit Committee was also with the provision of the non-audit services by Messrs. PricewaterhouseCoopers PLT ("PwC") to the Company during the financial period ended 31 December 2018 and formed the opinion that it did not impair their objectivity and independence as the external auditors of the Group.</p> <p>Having satisfied itself with PwC's performance, technical competency and audit independence as well as fulfilment of criteria as set out in the Auditor Independence Policy, the Audit Committee recommended the re-appointment of PwC to the Board, upon which the shareholders' approval will be sought at the forthcoming Annual General Meeting.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Audit Committee for the financial year ended 2018 comprised solely of Independent Directors.

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

### Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied			
Explanation on application of the practice	:	<p>All the members of the Audit Committee have vast experience and skills in accounting and finance as well as other fields of expertise and are qualified to review the accuracy of the Group's financial statement prior to recommending the same to the Board for approval.</p> <p>Collectively, the Audit Committee possess a wide range of necessary skills to discharge its duties. To strengthen the present financial literacy of each member and the ability to understand matters under the purview of the Audit Committee including the financial reporting process, all members of the Audit Committee will undertake continuous professional development programmes on accounting and auditing standards and practices and rules in the future. Updates on developments in accounting and governance standards are presented by the external auditors at AC meetings.</p> <p>During the financial year, the respective members of the Audit Committee have attended the following courses:</p>			
		1	Mr Pandjijono Adjanto @ Tan Hong Phang	<ul style="list-style-type: none"><li>- Outlook For 2018</li><li>- Mid-Year Market Outlook</li><li>- Market Outlook</li><li>- Investment Outlook</li></ul>	<ul style="list-style-type: none"><li>- The Standard Chartered Bank</li><li>- The Standard Chartered Bank</li><li>- Deutsche Bank AG</li><li>- Union Bancaire Privee</li></ul>
		2	Mr Chan Poh Kim	<ul style="list-style-type: none"><li>- Market Outlook</li></ul>	<ul style="list-style-type: none"><li>- The Standard Chartered Bank</li></ul>
		3	Ms Mariana Adjanto @ Tan Phwe Leng	<ul style="list-style-type: none"><li>- Mid-Year Market Outlook</li><li>- Seminar on Private Equity</li></ul>	<ul style="list-style-type: none"><li>- LGT Bank</li><li>- LGT Bank</li></ul>



			- Investment Outlook - Asia Investment Outlook	
	4	Mr Foo Chow Luh	- Multi Asset Investing	- Fidely International
	5	Mr Chong Chee Fire	- 2019 Budget	- Malaysian Institute of Accountant
	6	Mr Wong Yoke Kong	- Updates To The Company Act 2016	- Kuala Lumpur Bar Committee
<b>Explanation for departure</b>	:			
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>				
<b>Measure</b>	:			
<b>Timeframe</b>	:			

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 9.1

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has a Risk Management and Internal Control Framework in place to ensure the Company and the Board are making informed decisions about the level of risk that the Company want to take and implement the necessary controls to effectively pursue the objectives of the Group.</p> <p>The Board recognises the importance and is committed to maintain a sound system of internal control and effective risk management system within the Group and is responsible for reviewing its adequacy and effectiveness of the Group's Risk Management and Internal Control Systems.</p> <p>The Group's systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives. The Board continually reviews the systems to ensure that the risk management and internal control systems provide a reasonable and not absolute assurance against material misstatement, loss or fraud.</p> <p>During the financial year, some other weaknesses in the internal control processes were identified and measures have been taken by Management to address these weaknesses. In addition, the Company has a detailed internal control process established covering multiple perspectives and features. Details of the Group's Risk Management and Internal Control Framework are set out in its Statement on Risk Management and Internal Control which is available on the Company's Annual Report 2018.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has an ongoing process for identifying, evaluating and managing key risks in the context of its business objectives. These processes are embedded within the Group's overall business operations and are guided by operational manuals, policies and procedures and are regularly reviewed by the Board whom are guided by the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers".</p> <p>The Board has via the Audit Committee obtained the necessary assurance on the adequacy and effectiveness of the Group's Risk Management and Internal Control Systems. A Risk Management Committee was established to assist the Board to fulfil its oversight responsibilities with respect to the Group's risk management processes.</p> <p>The Enterprise Risk Management process comprises:</p> <ol style="list-style-type: none"><li>1. Risk Identification</li><li>2. Risk Evaluation</li><li>3. Risk Mitigation</li><li>4. Risk Monitoring</li><li>5. Risk Review</li></ol> <p>Furthermore, the Group views the following two risks as being prevalent in the trading and distribution business that may significantly impact the Group's results:</p> <ul style="list-style-type: none"><li>– loss of distribution agencies; and</li><li>– trade credit extended to customers</li></ul> <p>A detailed report on the Risk Management and Internal Control Framework of the Company are set out in its Statement on Risk Management and Internal Control which is available on the Company's Annual Report 2018.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### **Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### **Practice 9.3 - Step Up**

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Board has established through the Risk Management Committee to assist the Board to fulfil its oversight responsibilities with respect to the risk management process of the Company.</p> <p>The Risk Management Committee comprises wholly of Independent Directors and the members are:</p> <ol style="list-style-type: none"><li>1. Mr Wong Yoke Kong (Chairman) – Independent Non-Executive Director</li><li>2. Mr Chong Chee Fire (Member) – Independent Non-Executive Director</li><li>3. Mr Foo Chow Luh (Member) – Independent Non-Executive Director</li></ol>

### Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The in-house Internal Audit function supports the Audit Committee and by extension, the Board, by providing reasonable independent appraisal of the adequacy and effectiveness of the internal control systems. The Internal Audit team concurrently plays a proactive role in facilitating operating companies in assessing their principal business risks and plans of actions to address these risks. The Internal Auditor's role is to provide independent and objective reports on the Group management's records, accounting policies and internal controls to the Management, Audit Committee and the Board. Upon completion of each audit, an Internal Audit Report shall be generated and recommendations on weaknesses made are presented in the Audit Committee Meeting to assist the Audit Committee in discharging its duties and responsibilities.</p> <p>The Internal Audit Department has an independent reporting channel to the Audit Committee and is authorised to conduct independent audits of all the departments and offices within the Group and reports the findings to the Audit Committee at the end of each quarter.</p> <p>The Internal Audit Department undertakes Internal Audit functions based on the audit plan that is reviewed and approved by the Audit Committee. The audit plan covers review of adequacy of operational controls, risk management compliance with laws and regulations, quality of assets and management efficiency amongst others.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

## Practice 10.2

The board should disclose—

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Internal Audit Department undertakes Internal Audit function based on the audit plan that is reviewed and approved by the Audit Committee. The audit plan covers review of adequacy of operational controls, risk management compliance with laws and regulations, quality of assets and management efficiency amongst others.</p> <p>The Internal Audit Department does not have any relationships or conflict of interest, which could impair their objectivity and independence in conducting Internal Audit Function.</p> <p>There are four (4) Internal Auditors with relevant qualifications and experience in the Internal Audit Department and they are led by Ms Yvonne Lee Ah Tin – Association of Chartered Certified Accountants (ACCA).</p> <p>The Internal Audit Department conducts audit in a manner that is in accordance with the “Standards for the Professional Practice of Internal Auditing” and professional standards of conduct such as “Code of Ethics” under the authority of Institute of the Internal Audit Auditors, Malaysia.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board exercises close monitoring of all price sensitive information potentially required to be released to Bursa Malaysia Securities Berhad and makes material announcements to Bursa Malaysia Securities Berhad in a timely manner as required. In line with best practices, the Board strives to disclose price sensitive information to the public as soon as practicable through Bursa Malaysia Securities Berhad, the media and the Company's website and that the confidential information should be handled properly to avoid leakage and improper use of such information.</p> <p>The Company's website provides all relevant corporate information and it is accessible by the public. Information on the Group's activities are also provided in the Annual Report and Financial Statements, which are dispatched to shareholders. Dialogues are also held when necessary with investment analysts and fund managers to keep them abreast of corporate and financial developments. The Company also encourages all shareholders and investors to access online the Company's Annual Report and up to date announcements, which are made available at Bursa Malaysia Securities Berhad's website and the Company's website at <a href="http://www.harrisons.com.my">www.harrisons.com.my</a>. Through the Company's website, the stakeholders are able to direct queries to the Company.</p> <p>To ensure that the shareholders and the investors are well informed of major developments of the Company, information is disseminated to the shareholders and the investors through various disclosures and announcements made to Bursa Malaysia Securities Berhad which includes the quarterly financial results. The Board has identified Mr Foo Chow Luh as the Senior Independent Non-Executive Director to whom shareholders may convey their concerns to, whilst Mr Chan Poh Kim, the Group MD has been designated as the Company's principal spokesperson with institutional investors, analysts, press and other interested parties.</p> <p>In addition, the Directors engage with shareholders at least once a year during the annual general meeting to understand their needs and seek their feedback.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company does not fall under the category of "Large Companies" as defined by the Malaysian Code on Corporate Governance 2017.	
		Corporate information is disseminated via the Company's website and announcements are published on the website of Bursa Malaysia Securities Berhad. At present, the Board is of the view that the Company's Annual Report and its corporate website are comprehensive enough for stakeholders to make informed decisions.  The current Annual Report provides stakeholders with a comprehensive overview on the Company's financial and non-financial information including future prospects. Components such as the Management and Discussion Analysis, Corporate Governance Overview Statement, Statement on Risk Management and Internal Control, as well as the Sustainability Statement, form an integral part of the non-financial information.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.1**

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is committed to provide shareholders with comprehensive timely information about the Group's activities and performance to enable investors make informed decisions and AGM is the principal forum for dialogue and interaction with the shareholders of the Company. Hence, the Board endeavours to provide shareholders with adequate time to consider the resolutions that will be discussed and tabled during the AGM of the Company.</p> <p>In this regard, the notice for the upcoming AGM in 2019 was provided to shareholders on 30 April 2019, at least 28 days before the meeting, which will be held on 12 June 2019. This goes above and beyond Section 316(2) of the Companies Act 2016 and paragraph 7.15 of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad which call for a 21-days' notice period for public companies or listed issuers respectively.</p> <p>The notes to the notice of the 29th AGM had provided detailed explanations for each resolution proposed.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.2**

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	<p>All Directors attended the Company’s 28th Annual General Meeting held on 8 June 2018. The Board Chairman, the Board Committees’ Chairman, Managing Director and Chief Financial Officer and the external auditors were in attendance to answer questions raised by shareholders.</p> <p>The AGM is the principal forum for dialogue and interaction with the shareholders of the Company. The Board is committed to provide shareholders with comprehensive timely information about the Group’s activities and performance to enable investors make informed decisions.</p> <p>The Chairman and the Board, are responsible to respond and provide explanations on matters raised. The Board welcomes questions and feedback from shareholders during and after the shareholders’ meeting and ensures their queries are responded in a proper and systematic manner.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Company has approximately 1,747 shareholders as at 31 December 2018.</p> <p>The Company does not have meetings in remote locations nor does it have a large number of shareholders for it to leverage on technology to facilitate shareholders voting in absentia or having remote shareholders' participation in general meetings. It is also not cost effective nor practical for the Company to do so.</p> <p>The location of General Meetings has always been held in the Klang Valley area at locations which are accessible by public transport.</p> <p>Shareholders are entitled to appoint representatives or proxy/ proxies/ Chairman to vote on their behalf in their absence at general meeting.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

## **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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