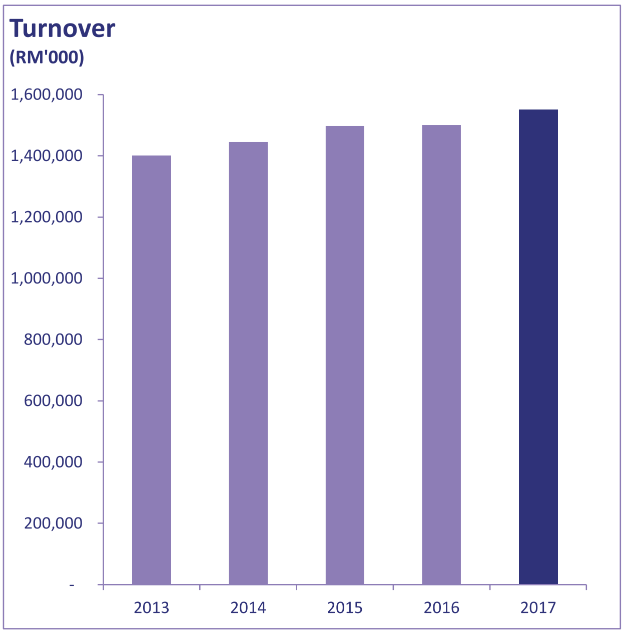
Annual Report 2017

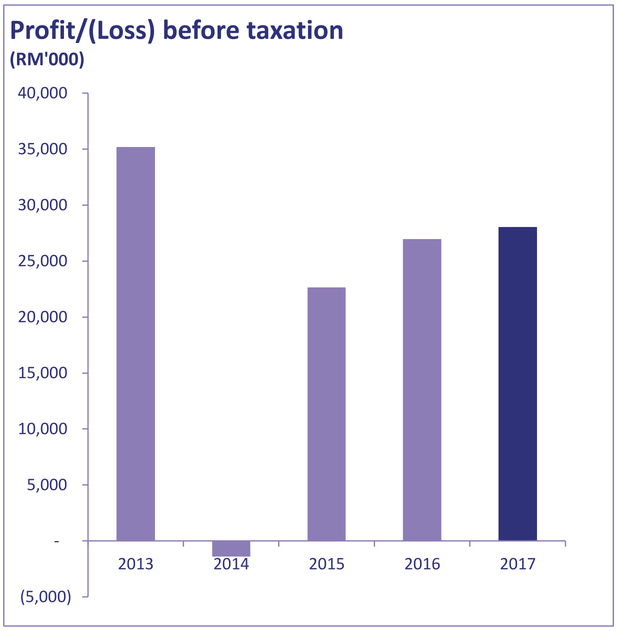
Harrisons Holdings (Malaysia) Berhad
(194675-H)

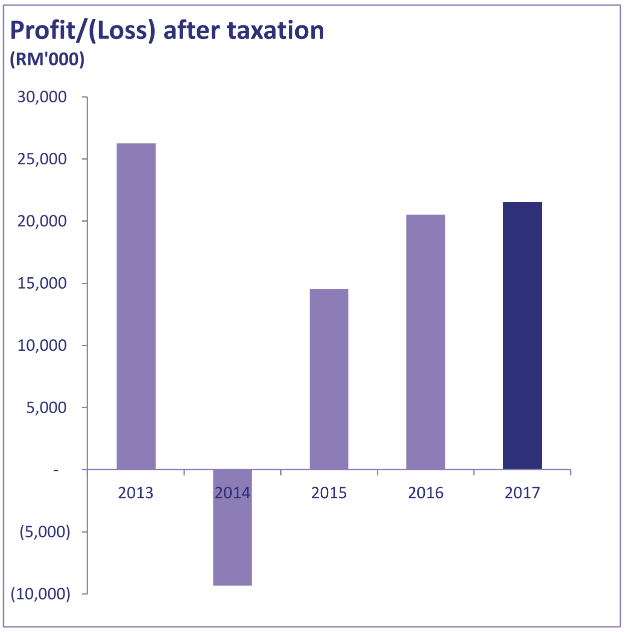
Established Since 1918

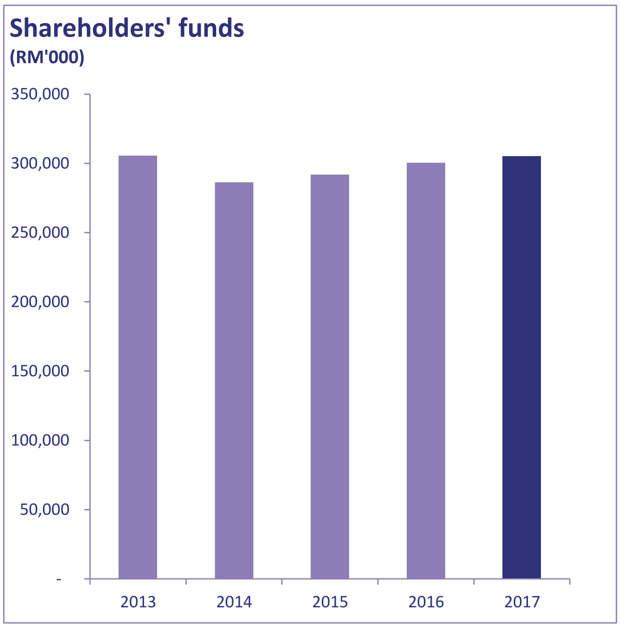
FINANCIAL HIGHLIGHTS

	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Turnover	1,400,051	1,445,308	1,497,810	1,499,998	1,550,954
Profit/(Loss) before taxation	35,168	(1,395)	22,655	26,981	28,017
Profit/(Loss) after taxation	26,273	(9,326)	14,555	20,524	21,537
Shareholders' funds	305,443	286,399	291,876	300,431	305,012









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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)
Lim Lee Kuan (MAICSA 7017753)
Teo Mee Hui (MAICSA 7050642)

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)

NOMINATION COMMITTEE

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

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

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

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

REGISTERED OFFICE

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

CORPORATE INFORMATION
(CONTINUED)

REMUNERATION COMMITTEE

Pandjijono 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)

CORPORATE OFFICE

Unit 9A, 9th Floor
Wisma Bumi Raya
10, Jalan Raja Laut
50350 Kuala Lumpur
Tel: +603-2698 3733
Fax: +603-2698 8733
Website: www.harrisons.com.my

DIRECTORS' PROFILE

MR PANDJIJONO ADIJANTO @ TAN HONG PHANG

(Non-Independent Non-Executive Chairman)

Mr Pandjijono Adijanto @ Tan Hong Phang, Male, aged 64, 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.

He does not hold any other directorship in other public companies and listed issuers.

MR CHAN POH KIM

(Group MD)

Mr Chan Poh Kim, Male, aged 60, a Singaporean, was appointed as a Director of the Company on 21 March 1990 before being appointed as 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.

He does not hold any other directorship in other public companies and listed issuers.

MS MARIANA ADIJANTO @ TAN PHWE LENG

(Non-Independent Non-Executive Director)

Ms Mariana Adijanto @ Tan Phwe Leng, Female, aged 59, 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.

She does not hold any other directorship in other public companies and listed issuers.

MR WONG YOKE KONG

(Independent Non-Executive Director)

Mr Wong Yoke Kong, Male, aged 63, 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.

He does not hold any other directorship in other public companies and listed issuers.

DIRECTORS' PROFILE
(CONTINUED)

MR FOO CHOW LUH
(Senior Independent Non-Executive Director)

Mr Foo Chow Luh, Male, aged 62, 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.

He does not hold any other directorship in other public companies and listed issuers.

MR CHONG CHEE FIRE
(Independent Non-Executive Director)

Mr Chong Chee Fire, Male, aged 63, 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 and Remuneration Committees.

He does not hold any other directorship in other public companies and listed issuers.

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 are set out on page 21 of this Annual Report.

Directors' Shareholdings

The details of Directors' shareholdings are set out in the Analysis of Shareholdings on page 123 of this Annual Report.

KEY SENIOR MANAGEMENT'S PROFILE

MR CHAN POH KIM

(Group MD)

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

MR LOW KONG CHOON

(Chief Financial Officer/ Group Company Secretary)

Mr Low Kong Choon, Male, aged 60, a Malaysian was appointed as 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 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 26 years.

MR LIM HONG CHIN

(Managing Director of Harrisons Sarawak Sdn. Bhd.)

Mr Lim Hong Chin, Male, aged 63, a Malaysian was appointed as 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 Managing Director, Mr Lim held various positions in companies within the Harrisons Group, including Branch Manager of Sibu 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, aged 67, a Malaysian was appointed as 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 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 Associate Director, he had held the positions of Senior Accountant and Chief Accountant/Company Secretary.

MR TEE CHEE CHIANG

(Managing Director of Harrisons Peninsular Sdn. Bhd.)

Mr Tee Chee Chiang, Male, aged 52, a Malaysian was appointed as 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 Marketing Manager in 1995 and was promoted to General Manager before his latest appointment. Mr. Tee currently oversees the overall business operation of HP's diversified business in 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 2017.

INDUSTRY TREND AND DEVELOPMENT

The Malaysian economy grew by 5.9% in 2017, higher than the 4.2% growth recorded in 2016. The growth was bolstered by domestic demand and exports and a stronger ringgit in 2017. For 2018, the Malaysian economy is expected to expand favourably to 5.5% driven by improving business and consumer sentiments and exports from semi-conductors and resource based activities.

FINANCIAL PERFORMANCE

Against a challenging marketing and operating conditions, I am pleased to report that the Group recorded a modest improvement in revenue of RM50.96 million or 3.40% while Profit Before Taxation improved by RM1.04 million to RM28.02 million. Meanwhile Profit After Tax increased by RM1.01 million or 4.9% to RM21.53 million. The full details of the Group performance are made available in the Management Discussion and Analysis section.

In relation to our successful appeal to the Court of Appeal in 2016, reversing the decision at the Sibu Court for awarding damages to the Landlord arising from a fire to a warehouse rented by Harrisons Sarawak Sdn. Bhd., the Landlord has made an appeal to the Federal Court. The provision for compensation of RM3.09 million in the 2017 accounts have not been reversed as the matter is still pending.

DIVIDENDS

The Board has not adopted any dividend policy. Dividend payments are subject to Group's profitability, long-term plans and cash flow position. Basic earnings per share increased to 31.53 cents for the financial year 2017 as compared to 30.01 cents for the previous financial year. The Company proposes to declare a final single tier dividends of 20.00 cents per ordinary share in respect of the financial year ended 31 December 2017 (2016: 25 cents).

PROSPECTS

The distribution business we are in is highly competitive. There is always a need to drive higher sales considered that our margins are being squeezed. There is also a challenge to keep operational cost from escalating.

On 5 April 2018, we have completed the acquisition of 100% equity interest in Watts Harrisons Sdn. Bhd. which will allow us to put our foot-print in the retail sector under the Komonoya brand from Japan. This acquisition is synergistic with our existing distribution business as a large portion of the business will come from wholesaling thereby allowing Harrisons to sell an additional range of products under the Komonoya brand name. This acquisition will not contribute significantly to our bottom line in 2018 but will enable Harrisons to expand its business overseas to Singapore, Brunei, Indonesia and certain parts of China. We will trade cautiously in this new business, while remaining to focus in the distribution business which we know the best.

CHAIRMAN'S STATEMENT
(CONTINUED)

In overall, we remained positive expecting a steady growth in our distribution business in 2018, which is in line with the growth of the Malaysian economy.

SUSTAINABILITY STATEMENT

Harrisons has been around in business for 100 years. This is an ample testimony to its commitment to sustainability. The Group is ever mindful of the economic and environmental impact of its business practices and its effect on the well-being of the communities. Based on the Economic, Environmental and Social ("EES") framework, we aspire to further enhance our sustainability as follows:-

1) ECONOMIC

Strategies

a) To pursue growth by :-

i) Expanding our business by acquiring new agencies and new products for distribution;
ii) Diversifying downstream and upstream business that is synergistic to our core business; and
iii) Expanding our geographical base for our business models. For example, extending our fast moving customer distribution capabilities in Peninsular Malaysia.

b) To strive to improve operational efficiencies in managing our businesses;

c) To focus on developing and retaining talented and skilled staff by providing competitive salaries and benefits;

d) To ensure that business dealings are conducted in an ethical manner through the Directors Code of Ethics, Fraud and Whistleblowing Policies;and

e) To keep abreast of changes in relevant laws, regulations and practices to ensure compliance with regulatory changes.

2) ENVIRONMENTAL

The Group is cognizant of the perseverance and cleanliness of the earth's natural resources. As a responsible corporate citizen, the Group contributes by participating in cleaning the local municipal parks and beaches and often works with its multinational principals towards a cleaner and sustainable environment.

3) SOCIAL

The Group's contribution in the social sector includes generating employment and business opportunities for our small traders and transporters. It also strives to provide a safe working environment for all employees and business partners and also make annual financial contributions to community and society. The employees are encouraged to join labour unions which protects the interest of the employees.

CHAIRMAN'S STATEMENT
(CONTINUED)

WORKPLACE DIVERSITY

The Group currently does not have a policy on diversity of the work force in terms of gender, ethnicity and age. However, the Group would prioritise the selection and employment of staff who possess the necessary skills and right personal attributes.

ACKNOWLEDGEMENTS

At this juncture, on behalf of the Board of Harrisons, I would like to acknowledge 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 thank 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 2018.

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 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 is 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 28 branches and 51 warehouses strategically located throughout Malaysia (13 in Peninsular, 9 in Sabah and 6 in Sarawak) and supported by over 1,500 employees;

Harrisons' objective is to focus on its distribution business and maintain its position as a leading distributor. The Group will continue to expand the sales of the Fast-Moving Consumer Goods and Building Materials by continuously sourcing for new agencies of good quality products and to increase its customers base in East and West Malaysia as well as regionally.

Financial Performance Review

Overall, 2017 was a satisfactory year for the Group. We finished the year with profit after tax improving by RM1.01 million (4.9%).

Revenue Surpassed the RM1.50 Billion Mark

During the financial year 2017, Harrison's revenue grew by 3.40% or RM50.96 million, from RM1.50 billion in the financial year 2016 to RM1.55 billion for the current financial year.

	2017 RM'000	2016 RM'000	Changes amount RM'000	Growth %
Fast-Moving Consumer Goods	1,276,247	1,198,476	77,771	6.49%
Building Materials	209,327	237,708	-28,381	-11.94%
Chemicals	54,684	53,176	1,508	2.84%
Others	10,696	10,638	58	0.55%
	1,550,954	**1,499,998**	**50,956**	**3.40%**

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

The sale of Fast-Moving Consumer Goods increased from RM1.20 billion in 2016 to RM1.28 billion in 2017 registering an increase of RM77.8 million or 6.49%. The new agency Colgate Palmolive too performed well and contributed additional revenue of RM52.72 million in 2017. The beer business surged by RM30.51 million or 44.85% due to aggressive sales promotion by Heineken and tightening of the monitoration by Customs on import duties for beer in Sabah.

However, the sale of Building Materials registered a drop of RM28.38 million or 11.94% in 2017 compared to 2016. The cement industry continued to take a hit in 2017 due to the slowdown in the property market. The cement market in Malaysia contracted by 6% in 2016 and 8% in 2017. On top of that, cement production capacity increased in 2017 further resulting in further price pressures and intensifying competition.

Gross Profit

The Group's Gross Profit for FY2017 was RM146.87 million with a margin of 9.47% compared to the previous year of RM140.42 million and margin of 9.36%. The improvement in Gross Profit was due to the successful implementation of our goods returns policies to our customers, thereby reducing market returns and hence Cost of Sales by RM2.05 million in 2017.

Profit Before Tax

We are also pleased to report that the Fast-Moving Consumer Goods business which we started in Muar and Batu Pahat five years ago turned around from a loss of RM1.12 million in 2016 to a profit of RM105,000 in 2017. The Management has made the right decision to discontinue the Coca-Cola agency in Muar and to restructure our workforce and also to tighten stocks and trade receivables controls.

Other operating income was lower by RM1.91 million in 2017 as there were lower gains from the sale of investment in overseas marketable securities. The Company took profits on its overseas marketable securities realising a gain of RM1.095 million in 2017 compared to a gain of RM2.89 million in 2016.

Selling and distribution decreased by 13.83%, mainly due to the monetary sales subsidies given by a principal in 2017. Administrative expenses increased by 3.68% in 2017, following salary revisions from unionized staff to promote sales and increment in impairment for trade receivables and some old properties.

Profit before tax increased by RM1.04 million in 2017 in line with the higher sales and gross profits.

Group Cash Flow

The Group Cash Flow showed a positive cash flow of RM43.89 million from operations but the net working capital changes decreased by RM75.09 million resulting in a negative cash flow of RM37.29 million.

Trade Debtors increased by RM15.13 million in 2017 as sales increased and collections slowed down in Sabah for certain big accounts. Inventories increased by around RM10.55 million at end of the year due to stock-up of goods for the year-end sales push to meet targets. This resulted in higher bank borrowings of RM187.88 million compared to RM130.16 million last year, and consequently increase in interest expense of RM956,000 in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

Strategies and Future Profit Growth

Harrisons was first established in Sandakan in 1918 and celebrated its 100 year old history record in January 2018. Some of our major principals have been with us for over 70 years. This extensive distribution set-up of 28 branches, 51 warehouses and over 1,500 skilled staff is critical to the sustainability and future growth of Harrisons. The strength and size of our vast comprehensive distribution network will enable us to further penetrate and expand our market shares in East and West Malaysia.

Cement sales growth in the first half of 2018 is expected to be subdued, with a moderate recovery only in the second half of 2018, driven by MRT2 and LRT3 jobs. However, we are not duly concerned as Fast Moving Consumer Goods accounted for 82% while Building Materials, 13% of Group revenue. The Group will continue to focus on expanding its core competencies of marketing and distribution by securing new agencies and products for the Fast-Moving Consumer Goods division in 2018.

Last year, we reported that we have embarked on changing our ERP system. We held back the implementation of the new ERP system in 2017 as we were awaiting for the new version to be released before proceeding with the full scale customization and development. 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.

We have also put our foot-print in the retail sector in 2018 by acquiring 100% equity interest in Watts Harrisons Sdn Bhd, which retails the uniform price variety shops under the name of Komonoya. We are optimistic to bring growth to the business through our existing distribution network in Malaysia. This business also provides us the opportunity to expand overseas, namely Singapore, Brunei, Indonesia and parts of China.

Prospects

The distribution business will continue to be challenging and volatile in 2018. Principals are aggressively imposing high sales targets on us as the earning of their incentives becomes harder as a result of the increase of their KPIs. We also have to constantly balance between more sales and extending more credit to our customers. Rising wages will continue to exert pressures on the operation cost.

We aim to improve our productivity and efficiency to meet such challenges. The implementation of the new ERP system is timely to position Harrisons to deal with these challenges in 2018 and beyond.

We are optimistic that the long-term growth of the Group will remain intact in 2018.

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").

This statement outlines the Group's main corporate governance practices and policies in place, which is in line with the principles and practices laid out in the MCCG 2017 as below:

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

The Board is pleased to provide this Statement, which outlines the main corporate governance practices applying the above three (3) principles under MCCG that were in place throughout the financial year. This Statement is also prepared in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Bursa LR") and it is to be read together with the Corporate Governance Report 2017 of the Company which is available on Bursa Securities' website at 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 primarily responsible for charting and reviewing the strategic direction of the Group. It delegates and monitors the implementation of these directions to Management.

The responsibilities of the Board are inclusive of but not limited to:

1. Charting the strategic direction, and setting out short term and long term plans for the Group;
2. Promoting ethical and best corporate governance culture in the Group;
3. Monitoring and reviewing of compliance with the internal control policies and the risk management systems;
4. Monitoring compliance with the relevant rules & regulations and accounting standards within the corporate and business environment;
5. Overseeing and reviewing the business operations within a systematic and controlled environment;
6. Approving and monitoring the annual budget and financial performance of the Group;
7. Appointing and determining the remuneration, duration and relevant appointment terms of the Group Managing Director ("MD"); and
8. Assessing the performance of and developing the succession plan for the Group MD and other Executive Directors.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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.

Key matters that reserved for the Board's approval include, amongst others the following:

a) Conflict of interest issues relating to a substantial shareholder or a Director;
b) Material acquisitions and disposal of assets not in the ordinary course of business;
c) Investment in Capital Projects;
d) Authority level;
e) Significant material litigation;
f) Risk Management policies; and
g) Key human resource issues.

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, appears on page 10 of this Annual Report.

1.2 Chairman

The Board is headed by Mr Pandjijono Adijanto @ Tan Hong Phang, 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 Group MD.

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

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

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.

1.4 Qualified and Competent Secretaries

The Board is regularly updated and apprised by the Company Secretaries on new regulation issued by the regulatory authorities. The Company Secretaries also serve notice to the Directors and Principal Officers to notify them of closed periods for trading in Harrisons' securities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

The Company Secretaries attend and ensure that all Board meetings are properly convened and those accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory register of the Company.

The Company Secretaries work closely with Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees.

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.

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

In discharging its duties, the Board is constantly mindful of the need to safeguard the interests of the Group's stakeholders. In order to facilitate the effective discharge of its duties, the Board is guided by the Board Charter. The Board Charter was adopted by the Board on 15 April 2013 and the same was published on the corporate website.

The Board Charter serves to ensure that all Board members acting on the Group's behalf are aware of their expanding roles and responsibilities. It sets out the duties and responsibilities to be discharged by the Board members collectively and individually. It shall be reviewed and updated from time to time to reflect changes to the amendments of relevant rules and regulations.

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 Management team is to support the Executive Director 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, which benefits from the independent views expressed before any decisions are taken.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONTINUED)

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 behavior 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 require 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 at www.harrisons.com.my.

3.2 Whistleblowing Policy

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 also available at the corporate website at 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 Main Market Listing Requirements ("MMLR") and Practice 4.1 of MCCG 2017, as at least half of its members are Independent Directors.

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

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 an Independent Director 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONTINUED)

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 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.

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.

4.5 Diverse Board and Senior Management Team

The Board composition represents a mix of knowledge, skills and expertise which assist the Board in effectively discharging its stewardship and responsibilities. The Board has a broad range of experiences and skills in the areas of international trade, accounting and finance, law and business. A brief profile of each Director is presented on pages 4 to 5 of this Annual Report.

4.6 Gender Diversity

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

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

The Company strictly adheres to the practice of non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, which including 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.

4.7 Identification of New Candidates for Appointment of Directors

The Nomination Committee is responsible for identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an ongoing basis. 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 evaluates and matches the criteria of the candidate, and will consider diversity, including gender, where appropriate, and recommends to the Board for appointment. Consideration will be given to those individuals possessing the identified skill, talent and experience.

The Company shall then provide orientation and ongoing education to the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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.

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.

Based on the above assessment in 2017, 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 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.

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:-

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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 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.

For the financial year ended 31 December 2017, 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 of Directors and Board Committee meetings during the financial year under review is set out as follows:-

Meeting Attendance	Board	AC	NC	RC
Mr Pandjijono Adijanto @ Tan Hong Phang	5/5	-	1/1	2/2
Mr Chan Poh Kim	5/5	-	-	-
Ms Mariana Adijanto @ Tan Phwe leng	5/5	-	-	-
Mr Wong Yoke Kong	5/5	5/5	-	-
Mr Foo Chow Luh	5/5	5/5	1/1	2/2
Mr Chong Chee Fire	5/5	5/5	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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONTINUED)

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:

No.	Name of Director	Course Attended	Conducted by
1	Mr Pandjijono Adijanto @ Tan Hong Phang	- Market Outlook - Singapore Investments - Market Outlook H2 - Mid Year Review by Julius Baer - Market Outlook	- Credit Suisse - Deutsche Bank AG - Standard Chartered Private Bank - Julius Baer - Credit Suisse AG
2	Mr Chan Poh Kim	- Market Outlook 2017 - Market Outlook 2017 : Mid-Year Review	- Julius Baer - Julius Baer
3	Ms Mariana Adijanto @ Tan Phwe Leng	- Global Leadership - Asia Investment Outlook	- Tom De Vries, Willow Creek Association - LGT Bank
4	Mr Foo Chow Luh	- Market Outlook	- Eastspring Investments Berhad
5	Mr Chong Chee Fire	- Mastering GST Accounting, Reporting & GST Audits	- Malaysian Institute of Accountants
6	Mr Wong Yoke Kong	- Market Outlook 2017 : Mid-Year Review	- Julius Baer

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 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. There were two (2) meetings of the Committee held in the financial year 2017.

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

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 2017 are as follows:

COMPANY

	RM'000			
	Fees	**Allowances**	**Benefits-In-Kind**	**Total**
Executive Director Chan Poh Kim	-	-	23	23
Non-Executive Directors				
Pandjijono Adijanto @ Tan Hong Phang	126	2.5	-	128.5
Mariana Adijanto @ Tan Phwe Leng	64	2.5	-	66.5
Foo Chow Luh	73	2.5	-	75.5
Wong Yoke Kong	73	2.5	-	75.5
Chong Chee Fire	73	2.5	-	75.5
Total	**409**	**12.5**	**23**	**444.5**

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

GROUP

	RM'000					
	Salary (inclusive of defined contribution plan)	**Fees**	**Bonus**	**Allowances**	**Benefits-In-Kind**	**Total**
Executive Director Chan Poh Kim	**1,229**	**-**	**809**	**-**	**83**	**2,121**
Non-Executive Directors						
Pandjijono Adijanto @ Tan Hong Phang	**-**	**126**	**-**	**2.5**	**-**	**128.5**
Mariana Adijanto @ Tan Phwe Leng	**-**	**64**	**-**	**2.5**	**-**	**66.5**
Foo Chow Luh	**-**	**73**	**-**	**2.5**	**-**	**75.5**
Wong Yoke Kong	**-**	**73**	**-**	**2.5**	**-**	**75.5**
Chong Chee Fire	**-**	**73**	**-**	**2.5**	**-**	**75.5**
Total	**1,229**	**409**	**809**	**12.5**	**83**	**2,542.5**

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

Remuneration Range (RM)	**Number of Directors**
Executive Director	
Between 2,100,001 – 2,150,000	1
Non-Executive Directors	
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 2017 are categorized as follows :

Senior Management Staff Category	Group (RM'000)	Company (RM'000)
Salaries and bonuses[1] Benefits-in-kind[2]	4,297 156	- 40
Total	4,453	40

Notes :

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

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

Remuneration Range (RM)	Number of Senior Management staff
Between 400,001 to 450,000	1
Between 550,001 to 600,000	2
Between 700,001 to 750,000	1
Between 2,100,001 to 2,150,000	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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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, independence of Messrs. PricewaterhouseCoopers.

Having satisfied itself with Messrs. PricewaterhouseCooper'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 Messrs. PricewaterhouseCoopers to the Board, upon which the shareholders' approval will be sought at the forthcoming AGM.

Based on the Audit Committee's assessment, the Board satisfied with the independence, quality of service and adequacy of resources provided by the External Auditors in carrying out the annual audit for year 2017. In view thereof, the Board has recommended the re-appointment of the External Auditors for the approval of shareholders 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONTINUED)

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 Directors engage with shareholders at least once a year during the AGM to understand their needs and seek their feedback. 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.

Information on the Group's activities is 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 Securities' website and the Company's website at www.harrisons.com.my.

To ensure that shareholders and 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONTINUED)

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 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 Eighth Annual General Meeting to be held on 8 June 2018 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 auditors 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

The Board is satisfied that the Company has in the year 2017 complied with the principles and practices of the MCCG 2017.

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.

The current Non-Independent Non-Executive Chairman, Mr Pandjijono 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 13 April 2018.

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 2017 are as follows:-

Details of Audit Fees	**Group (RM'000)**	**Company (RM'000)**
- Statutory Audit Fees	650	180
- *Non-Audit Fees*	0	0
Total	**650**	**180**

3. Material Contracts involving Directors', 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', Chief Executive who is not a Director or Major Shareholders' subsisting as at the end of the financial year ended 31 December 2017.

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 27 of the Financial Statements.

STATEMENT OF DIRECTORS' RESPONSIBILITY

IN RESPECT OF THE PREPATION OF THE AUDITED FINANCIAL STATEMENTS

The Directors are responsible in the preparation of the Audited Financial Statements for each financial year which 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 provisions 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 2017.

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 review 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 of Directors ("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 Oversight Committee was established to assist the Board to fulfil its oversight responsibilities with respect to the Group's risk management processes.

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 Management Committee, which comprises the senior managers for the critical functions of the Group. The respective Risk Management Committee meets quarterly where possible to:

– review and update the risk register; and
– assess the 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 Audit Committee and Board meetings. The Risk Oversight Committee assists the Board to fulfil its oversight responsibilities.

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 are identified.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

(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.

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

Possibility	Low	Medium	High	
Impact	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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

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.
- 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, enables 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 review and action.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(CONTINUED)

INTERNAL AUDIT

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.

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 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 of Directors on 13 April 2018.

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 2017.

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, a majority of whom are independent.

As at the date of this Annual Report, the members of the Audit Committee consist of:-

1.	Mr Foo Chow Luh (Chairman)	Senior Independent Non-Executive
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 the Term of Reference

B. MEETINGS

During the financial year ended 31 December 2017, a total of five (5) meetings were held and the details of attendance of the Audit Committee members are as follows:-

	Directors	**No. of Audit Committee 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 ENDED 31 DECEMBER 2017

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 team 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 apprise 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 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

In assessing independence, the Audit Committee 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 reviewed with the internal auditors the internal audit reports and to monitor/follow-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 reviewed the potential related party transaction and any conflict of interest situation that may arise within the Group or 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 of the Management. The Audit Committee also has full discretion to invite any director or executive officer 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 AUDIT COMMITTEE

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

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.

REPORT OF THE AUDIT COMMITTEE
(CONTINUED)

A summary of the works carried out by the internal auditors for the financial year 2017 are as follows:

- Audited and reviewed on Goods and Services Tax ("GST") compliance for 14 branches and divisions of the Group. In addition to GST compliance there were transfer of knowledge on tax code assignment, providing guidance on accounting treatment and documentation for GST issues, ensure correct output tax and input tax computation, and review claims of bad debts relief.
- Conducted regular follow up audits on control over sales, debt collection and stocks to ensure the internal control are operating effectively as intended and in compliance with the standard operating procedures.
- Discussed on internal control assessments, with findings and recommendations and also Management's responses to the Audit Committee. Conducted subsequent follow up results, rectification of errors and improvements to existing controls and tabled the same to the Audit Committee.

The cost incurred by the Internal Audit Department for the financial year 2017 amounted to about RM534,742.

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 2017.

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, Pandjijono Adijanto @ Tan Hong Phang and Chong Chee Fire 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 shipping, insurance and travel agencies. Details of the principal activities of the subsidiaries are shown in Note 16 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.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	21,537	30,401

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

No shares or debentures had been issued since the end of the previous financial year.

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 27 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 previous financial year were as follows:

	RM'000
In respect of the financial year ended 31 December 2016, final single tier dividend of RM0.25 per ordinary share paid on 14 July 2017	17,119

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 2017, 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 or it's during the financial year except as follows:

	Number of ordinary shares in the Company			
	At 1.1.2017	Acquired	Disposed	At 31.12.2017
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 RM80,570 in 2017.

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

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 16 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.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 13 April 2018. Signed on behalf of the Board of Directors:

CHONG CHEE FIRE
DIRECTOR

WONG YOKE KONG
DIRECTOR

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

We, Chong Chee Fire 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 49 to 119 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 2017 and the financial performance of the Group and of the Company for the financial year ended 31 December 2017 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 13 April 2018.

CHONG CHEE FIRE
DIRECTOR

WONG YOKE KONG
DIRECTOR

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

I, Low Kong Choon, 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 49 to 119 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 Kuala Lumpur on 13 April 2018, 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 2017, 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 2017, 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 49 to 119.

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.

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.

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

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.

<table>
<tr><th>Key audit matter
(Consolidated financial statements)</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Provision for obsolescence of inventories

Refer to Note 3(k) - Summary of significant accounting policies for inventories, Note 4(b) - Critical accounting estimates and judgements on provision for obsolescence of inventories and Note 19 – Inventories.

As at 31 December 2017, the Group has inventory balance of RM178.6 million, net of provision for obsolescence of inventories of RM8.5 million.

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.

We focused on this area because of the nature of the judgement made by management when assessing the level of provisions required.</td><td>Our audit procedures on the testing of the provision for obsolescence of inventories were as follows:

• We used historical data of slow moving and obsolete inventories to independently estimate the rate of provision for obsolescence of inventories; and

• We compared our estimated rate of provision for obsolescence of inventories in each age bracket for each category of inventory with the rate of allowance applied by management to determine the reasonableness of the allowance made.

Based on the audit procedures performed, no exceptions were noted.</td></tr>
</table>

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)

Key audit matter **(Consolidated financial statements)**	**How our audit addressed the key audit matter**
Impairment of trade receivables Refer to Note 3(l) – Summary of significant accounting policies for trade and other receivables, Note 4(c) - Critical accounting estimates and judgements on impairment for trade and other receivables and Note 20 – Trade and Other Receivables. As at 31 December 2017, the Group has trade receivables balance of RM292.4 million, net of impairment of trade receivables of RM29.3 million. The impairment of trade receivables computed by management is based on the outstanding trade receivables' ageing band and management's expectation and assessment on the recoverability of the overdue balances. These assessments require significant judgement. We focus on this area because of the nature of the judgement made by management when assessing the level of impairment required.	Our audit procedures on the testing of the impairment of trade receivables were as follows: • We obtained an understanding of and evaluated management's credit assessment process of the overdue trade receivable balances; • We obtained a list of trade receivables and focused on the balances which were overdue, and discussed with management on the actions taken to recover the long overdue balances; and • We assessed the adequacy of the level of impairment provided for certain overdue trade receivables by checking to the historical payment trend and payments from these receivables subsequent to the reporting date. Based on the audit procedures performed, no exceptions were noted.

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, List of Properties, Analysis of Shareholdings 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:

(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.

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)

(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.

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 16 to the financial statements.

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

(Incorporated in Malaysia)
(Company No. 194675 H)

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
13 April 2018

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	6	**1,550,954**	1,499,998	**31,904**	16,815
Cost of sales		**(1,404,085)**	(1,359,581)	**-**	-
Gross profit		**146,869**	140,417	**31,904**	16,815
Other operating income		**4,652**	6,563	**1,841**	3,263
Selling and distribution costs		**(15,069)**	(17,487)	**-**	-
Administrative expenses		**(100,709)**	(97,137)	**(2,826)**	(2,409)
Other operating expenses					
- impairment of intercompany receivables		**-**	-	**-**	(3,600)
- others		**(1,796)**	(401)	**(442)**	-
Finance costs	7	**(5,930)**	(4,974)	**-**	-
Profit before taxation	8	**28,017**	26,981	**30,477**	14,069
Taxation	10	**(6,480)**	(6,457)	**(76)**	(58)
Profit for the financial year		**21,537**	20,524	**30,401**	14,011
Other comprehensive income/(loss):					
Items that may be reclassified to profit or loss					
Change in fair value of available-for-sale financial assets	15	**1,258**	1,223	**1,325**	1,252
Gain on disposal of available-for-sale financial assets reclassified to profit or loss	15	**(1,095)**	(2,891)	**(1,095)**	(2,893)
Currency translation differences		**-**	(110)	-	-
Total comprehensive income for the financial year		**21,700**	18,746	**30,631**	12,370
Profit/(Loss) attributable to:					
- Owners of the Company		**21,591**	20,550	**30,401**	14,011
- Non-controlling interests		**(54)**	(26)	-	-
		21,537	20,524	**30,401**	14,011
Total comprehensive income/(loss) attributable to:					
- Owners of the Company		**21,754**	18,772	**30,631**	12,370
- Non-controlling interests		**(54)**	(26)	-	-
		21,700	18,746	**30,631**	12,370
Earnings per share (sen)					
- Basic and diluted	11	**31.53**	30.01		

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017	2016	**2017**	2016
		RM'000	RM'000	**RM'000**	RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	**41,342**	40,863	**1,339**	1,463
Investment properties	14	**1,847**	1,161	**-**	-
Available-for-sale financial assets	15	**27,954**	16,420	**27,372**	15,898
Subsidiaries	16	**-**	-	**57,597**	57,597
Deferred tax assets	18	**5,979**	4,772	**216**	85
		77,122	63,216	**86,524**	75,043
CURRENT ASSETS					
Inventories	19	**178,624**	168,078	**-**	-
Trade and other receivables	20	**307,026**	291,895	**9,628**	11,340
Tax recoverable		**4,967**	4,988	**-**	-
Deposits, cash and bank balances	21	**94,817**	113,419	**18,180**	14,360
		585,434	578,380	**27,808**	25,700
CURRENT LIABILITIES					
Trade and other payables	22	**168,923**	210,231	**691**	627
Tax payable		**65**	151	**41**	28
Borrowings	23	**187,878**	130,164	**-**	-
		356,866	340,546	**732**	655
NET CURRENT ASSETS		**228,568**	237,834	**27,076**	25,045
NON-CURRENT LIABILITY					
Deferred tax liabilities	18	**678**	619	**-**	-
		305,012	300,431	**113,600**	100,088

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 (CONTINUED)

	Note	Group		Company	
		2017	2016	**2017**	2016
		RM'000	RM'000	**RM'000**	RM'000
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	24	**68,523**	68,489	**68,523**	68,489
Treasury shares		**(18)**	(18)	**(18)**	(18)
Other reserves		**3,134**	3,005	**3,039**	2,843
Retained earnings		**233,373**	228,901	**42,056**	28,774
		305,012	300,377	**113,600**	100,088
Non-controlling interests		**-**	54	**-**	-
		305,012	300,431	**113,600**	100,088

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Attributable to equity holders of the Company						Non-controlling interest	Total
		Share capital	Treasury shares	Share premium	Available-for-sale financial assets reserve	Retained earnings	Total		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group									
At 1 January 2017		68,489	(18)	34	2,971	228,901	300,377	54	300,431
Profit for the financial year		-	-	-	-	21,591	21,591	(54)	21,537
Other comprehensive income:									
- Transition to no-par value regime on 31 January 2017	24	34	-	(34)	-	-	-	-	-
- Fair value changes of available-for-sale financial assets		-	-	-	163	-	163	-	163
Total comprehensive income for the financial year		34	-	(34)	163	21,591	21,754	(54)	21,700
Transaction with owners:									
- Dividends paid	12	-	-	-	-	(17,119)	(17,119)	-	(17,119)
At 31 December 2017		68,523	(18)	-	3,134	233,373	305,012	-	305,012

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Note	Attributable to equity holders of the Company								
		Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Currency translation reserve RM'000	Available-for-sale financial assets reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total RM'000
Group										
At 1 January 2016		68,489	(18)	34	110	4,639	218,622	291,876	-	291,876
Profit for the financial year		-	-	-	-	-	20,550	20,550	(26)	20,524
Other comprehensive loss:										
- Fair value changes of available-for-sale financial assets		-	-	-	-	(1,668)	-	(1,668)	-	(1,668)
- Currency translation differences		-	-	-	(110)	-	-	(110)	-	(110)
Total comprehensive income for the financial year		-	-	-	(110)	(1,668)	20,550	18,772	(26)	18,746
Transaction with owners:										
- Capital contribution by non-controlling interest		-	-	-	-	-	-	-	80	80
- Dividends paid	12	-	-	-	-	-	(10,271)	(10,271)	-	(10,271)
At 31 December 2016		68,489	(18)	34	-	2,971	228,901	300,377	54	300,431

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Share capital RM'000	Treasury shares RM'000	Non-distributable Share premium RM'000	Non-distributable Available-for-sale financial assets reserve RM'000	Distributable Retained earnings RM'000	Total RM'000
Company							
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

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

				Non-distributable		Distributable	
	Note	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
Company							
At 1 January 2016		68,489	(18)	34	4,450	25,034	97,989
Profit for the financial year		-	-	-	-	14,011	14,011
Other comprehensive income							
- Fair value changes of available-for-sale financial assets		-	-	-	(1,641)	-	(1,641)
Total comprehensive income for the financial year		-	-	-	(1,641)	14,011	12,370
Transaction with owners:							
- Dividends	12	-	-	-	-	(10,271)	(10,271)
At 31 December 2016		68,489	(18)	34	2,809	28,774	100,088

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017	2016	**2017**	2016
		RM'000	RM'000	**RM'000**	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the financial year		**21,537**	20,524	**30,401**	14,011
Adjustments for non-cash items:					
Allowance of impairment for					
- trade and other receivables (net)		**4,290**	3,890	**-**	-
- intercompany receivables		**-**	-	**-**	3,600
- amount due from an associate		**429**	-	**-**	-
(Reversal)/Provision for obsolescence of inventories (net)		**(1,426)**	1,389	**-**	-
Inventories written off		**4,371**	6,420	**-**	-
Property, plant and equipment:					
- depreciation		**4,536**	4,200	**452**	175
- loss/(gain) on disposal		**93**	(68)	**-**	-
- written off		**-**	3	**-**	-
- impairment		**693**	-	**-**	-
Depreciation of investment properties		**35**	34	**-**	-
Gain on disposal of available-for-sale financial assets		**(1,095)**	(2,891)	**(1,095)**	(2,893)
Unrealised foreign exchange loss/(gain)		**442**	(16)	**442**	115
Dividend income (gross)		**(825)**	(737)	**(31,904)**	(16,815)
Interest income		**(1,597)**	(1,279)	**(565)**	(485)
Interest expense		**5,930**	4,974	**-**	-
Tax expense		**6,480**	6,457	**76**	58
		43,893	42,900	**(2,193)**	(2,234)
Working capital changes:					
Inventories		**(13,491)**	(3,017)	**-**	-
Trade and other receivables		**(20,292)**	(30,082)	**1,385**	(4,122)
Trade and other payables		**(41,308)**	33,903	**64**	(12)
		(31,198)	43,704	**(744)**	(6,368)
Tax paid		**(7,693)**	(8,203)	**(194)**	(59)
Interest received		**1,597**	1,279	**565**	485
Net cash (used in)/generated from operating activities		**(37,294)**	36,780	**(373)**	(5,942)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Note	Group		Company	
		2017	2016	**2017**	2016
		RM'000	RM'000	**RM'000**	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(6,780)**	(4,041)	**(328)**	(723)
Proceeds from disposal of property, plant and equipment		**258**	219	**-**	-
Dividends received from available-for-sale financial assets		**825**	737	**794**	685
Advances to subsidiaries		**-**	-	**(115)**	(3,562)
Proceeds from sale of available-for-sale financial assets		**43,192**	60,931	**10,917**	16,998
Purchase of available-for-sale financial assets		**(53,468)**	(55,823)	**(21,066)**	(11,883)
Dividends received from subsidiaries		**-**	-	**31,110**	16,130
Withdrawal of deposit with maturity term of more than three months		**-**	441	**-**	-
Net cash (used in)/generated from investing activities		**(15,973)**	2,464	**21,312**	17,645
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		**(5,930)**	(4,974)	-	-
Drawdown/(Repayment) of bankers' acceptances (net)		**58,114**	(41,247)	-	-
(Repayment)/Drawdown of revolving credit		**(4,000)**	9,500	-	-
Dividends paid		**(17,119)**	(10,271)	**(17,119)**	(10,271)
Capital contribution by non-controlling interests		**-**	80	-	-
Net cash generated from/(used in) financing activities		**31,065**	(46,912)	**(17,119)**	(10,271)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		**(22,202)**	(7,668)	**3,820**	1,432
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**112,523**	120,191	**14,360**	12,928
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	21	**90,321**	112,523	**18,180**	14,360

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 shipping, insurance and travel agencies. Details of the principal activities of the subsidiaries are shown in Note 16 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.

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:

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

The principal place of business of the Company is:

Unit 9A, 9th 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.

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 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.

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

The Group and the Company have applied the following amendments for the first time for the financial year beginning on 1 January 2017:

- Amendments to MFRS 107 'Statement of Cash Flows' – Disclosure Initiative
- Amendments to MFRS 112 'Income Taxes' – Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements MFRSs 2012 – 2014 Cycle: MFRS 12 'Disclosures of Interests in Other Entities'

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities. Other than that, the adoption of these amendments and annual improvements to existing standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

(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 2017. 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:

- Amendments to MFRS 140 ‘Classification on 'Change in Use’ - Assets transferred to, or from, Investment Properties' (effective from 1 January 2018) clarify that to transfer to, or from investment properties there must be a change in use. A change in use would involve an assessment of whether a property meet, or has ceased to meet, the definition of investment property. The change must be supported by evidence that the change in use has occurred and a change in management's intention in isolation is not sufficient to support a transfer of property.

  The amendments also clarify the same principle applies to assets under construction.

- IC Interpretation 22 ‘Foreign Currency Transactions and Advance Consideration’ (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the ‘date of the transaction’ to record foreign currency transactions.

  IC Interpretation 22 provides guidance how to determine ‘the date of transaction’ when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

  The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

  If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt. An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

- MFRS 9 ‘Financial Instruments’ (effective from 1 January 2018) will replace MFRS 139 ‘Financial Instruments: Recognition and Measurement’.

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (“OCI”). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

- For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.

- When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018.

The financial assets held by the Group and the Company include equity instruments currently classified as available-for-sale for which a FVOCI measurement will be elected for these instruments. In this regard, gains or losses realised on the sale of the financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. The unit trust funds of the Group and the Company which are currently classified as available-for-sale financial assets will be measured at fair value through profit or loss under MFRS 9. The Group's and the Company's trade and other receivables currently measured at amortised cost meet the conditions for classification at amortised cost under MFRS 9.

There will be no impact on the Group and the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group and the Company do not have any such liabilities. The de-recognition rules have been transferred from MFRS 139 'Financial Instruments: Recognition and Measurement' and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under MFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. The new impairment model may have an impact on the Group's and the Company's financial results given that the Group's and the Company's financial assets are mainly trade and other receivables balances.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's and the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

2. BASIS OF PREPARATION (CONTINUED)

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

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:
  (i) Identify contracts with customers;
  (ii) Identify the separate performance obligations;
  (iii) Determine the transaction price of the contract;
  (iv) Allocate the transaction price to each of the separate performance obligations; and
  (v) Recognise the revenue as each performance obligation is satisfied.

  Key provisions of the new standard are as follows:
  - Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
  - If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
  - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
  - There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
  - As with any new standard, there are also increased disclosures.

  The Group and the Company have assessed the effects of applying the new standard on the Group's and the Company's financial statements and have identified the following areas that will be affected:

  - Revenue relating to sales of good will be recognised when control of the products has transferred, being the point when the products are delivered to the customer. As the transfer of risks and rewards generally coincides with the transfer of control at a point in time, the timing and amount of revenue recognised for the sale of good under MFRS 15 is unlikely to be materially different from its current practice.

  - Revenue relating to sale of services will be recognised in the accounting period in which the services are rendered. Revenue from contracts may have multiple deliverables. It is therefore accounted for as a separate performance obligation under MFRS 15. The transaction price will be allocated to each performance obligation based on the stand-alone selling price. Revenue relating to revenue from contract will be recognised over time based on the entity's progress towards complete satisfaction of that performance obligation. As the contract terms of the services provided have a generally short period of delivery (less than one year), The Group and the Company do not expect the revenue recognition for services under MFRS 15 to be materially different from its current practice.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

- 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 the income statement.

  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.

- 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 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 interests are subject to loss allocation and impairment requirements in MFRS 128.

  The amendments shall 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (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 Combinations' (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 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.

Other than the expected financial impact arising from the adoption of MFRS 9 and MFRS 15 which have been disclosed above, the Group and the Company are currently assessing the financial impact of the adoption of the remaining standard and amendments to the existing standards.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

(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 acquire is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

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 139 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Related 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation (continued)

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 effect of de-recognising the carrying amount of goodwill relating to the subsidiaries sold.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

Associates (continued)

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.

(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, net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the property, plant and equipment. 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 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(p) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

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 to 10 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.

(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 related transaction costs and borrowing costs if the investment property meets the definition of a qualifying asset. Costs of the investment property are net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the investment property.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment properties (continued)

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent account purposes.

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.

(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 unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

(ii) Financial assets carried at amortised cost

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of assets (continued)

(ii) Financial assets carried at amortised cost (continued)

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' or a 'held-to-maturity investment' 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.

(iii) 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

(i) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (continued)

(i) Classification (continued)

(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 bank balances' in the statement of financial position (Notes 20 and 21).

(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.

(ii) 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.

(iii) 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)(iii)) 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.

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (continued)

(iv) De-recognition (continued)

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.

(g) Financial liabilities

(i) Classification, measurement and de-recognition

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. The Group's financial liabilities comprise payables.

A financial liability is recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

A financial liability is de-recognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement 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.

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial guarantee contracts (continued)

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

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.

(j) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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, discounts and the amount of goods and services tax (“GST”), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of purchased inventory. 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.

(l) 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 and other receivables are recognised initially at fair value, with the amount of goods and services tax (“GST”) included. The net amount of GST recoverable from the government is presented within ‘trade and other receivables’ in the statement of financial position.

Cash flows are included in the statements of cash flows on a gross basis. The GST components of cash flows which are recoverable from, or payable to, the government are classified as operating cash flows.

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 of financial assets carried at amortised cost.

(m) Cash and cash equivalents

For the purpose of the statements of cash flows, 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.

(n) Share capital

(i) Classification

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Share capital (continued)

(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

<u>Basic earnings per share</u>

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.

<u>Diluted earnings per share</u>

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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, in which case, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value, with the amount of goods and services tax ("GST") included. The net amount of GST payable to the government is presented within 'trade and other payables' in the statements of financial position.

Cash flows are included in the statements of cash flows on a gross basis. The GST components of cash flows which are recoverable from, or payable to, the government are classified as operating cash flows.

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

(p) 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 statement 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 2017 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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 income tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries and associates, except for deferred income tax liability where 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 income 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 2017 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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.

(s) 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 2017 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Provisions

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 expense.

(t) 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.

(u) Revenue and other income

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 60 days, which is consistent with market practice.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue and other income (continued)

(ii) Sale of services

The Group provides shipping and travel agency services. Sales 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.

(iii) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces 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.

(iv) 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. However, the investment may need to be tested for impairment as a consequence.

(v) Management service income

Management service income are recognised upon rendering of services.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Foreign currencies (continued)

(ii) Transactions and balances (continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as 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, such as equities classified as 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;
- 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.

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, a disposal involving loss of joint control over a joint venture 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(x) Fair value estimation

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 table below analyses financial instruments carried at fair value, by valuation method. 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).

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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 of factors due to slow moving items, damage 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 balance of provision for obsolescence of inventories as at the reporting date are as follows:

	Group	
	2017	2016
	RM'000	RM'000
Provision for obsolescence of inventories	**8,466**	9,892

(c) Impairment of trade receivables

Trade and other receivables are recognised initially at fair value, with the amount of goods and services tax ("GST") included. After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less impairment losses. The Group assesses at the end of the reporting period whether there is objective evidence that trade receivables are impaired. The impairment of trade receivables computed by management is based on the outstanding receivables' ageing band and management's assessment on the recoverability of the overdue debts. The assessment on the level of impairment on overdue debts requires significant judgement by management.

The accumulated impairment of trade receivables as at the reporting date are as follows:

	Group	
	2017	2016
	RM'000	RM'000
Accumulated impairment of trade receivables	**29,250**	25,815

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.

5. SEGMENT REPORTING (CONTINUED)

Other than the above, the Group provides engineering, insurance, shipping and travel agency services and rental of property, none of which are 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 2017 (CONTINUED)

5. SEGMENT REPORTING (CONTINUED)

	Trade and distribution RM'000	Others RM'000	Group RM'000
2017			
Revenue			
Total segment revenue	1,540,258	47,333	1,587,591
Inter segment revenue	-	(36,637)	(36,637)
External revenue	1,540,258	10,696	1,550,954
Results			
Segment results (external)	31,527	823	32,350
Interest income			1,597
Finance costs			(5,930)
Profit from ordinary activities before tax			28,017
Taxation			(6,480)
Profit from ordinary activities after tax			21,537
Capital employed			
Segment assets	588,793	62,817	651,610
Unallocated assets			10,946
Total assets			662,556
Segment liabilities	354,569	2,232	356,801
Unallocated liabilities			743
Total liabilities			357,544
Other information			
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)	4,175	115	4,290
Reversal of provision for obsolescence of inventories (net)	(1,426)	-	(1,426)
Inventories written off	4,371	-	4,371

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

5. SEGMENT REPORTING (CONTINUED)

	Trade and distribution RM'000	Others RM'000	Group RM'000
2016			
Revenue			
Total segment revenue	1,489,360	31,774	1,521,134
Inter segment revenue	-	(21,136)	(21,136)
External revenue	1,489,360	10,638	1,499,998
Results			
Segment results (external)	28,680	1,996	30,676
Interest income			1,279
Finance costs			(4,974)
Profit from ordinary activities before tax			26,981
Taxation			(6,457)
Profit from ordinary activities after tax			20,524
Capital employed			
Segment assets	582,253	49,583	631,836
Unallocated assets			9,760
Total assets			641,596
Segment liabilities	337,704	2,691	340,395
Unallocated liabilities			770
Total liabilities			341,165
Other information			
Capital expenditure incurred during the financial year	3,298	743	4,041
Depreciation of property, plant and equipment	3,938	262	4,200
Depreciation of investment properties	34	-	34
Impairment for trade and other receivables (net)	3,534	356	3,890
Provision for obsolescence of inventories (net)	1,389	-	1,389
Inventories written off	6,420	-	6,420

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

5. SEGMENT REPORTING (CONTINUED)

	Group 2017 RM'000	Group 2016 RM'000
Analysis of external revenue by category:		
- Consumer products	**1,276,247**	1,198,476
- Building materials	**209,327**	237,708
- Chemical products	**54,684**	53,176
- Others	**10,696**	10,638
	1,550,954	1,499,998

6. REVENUE

	2017 RM'000	2016 RM'000
Group		
Trading and distribution	**1,540,258**	1,489,360
Others	**10,696**	10,638
	1,550,954	1,499,998
Company		
Dividends from subsidiaries	**31,110**	16,130
Dividends from third parties	**794**	685
	31,904	16,815

7. FINANCE COSTS

Group

	2017 RM'000	2016 RM'000
Interest expense:		
- bank overdrafts	**119**	1,634
- bankers' acceptances	**5,716**	3,304
- revolving credit	**95**	36
	5,930	4,974

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

8. PROFIT BEFORE TAXATION

The following items have been charged/(credited) in arriving at profit before taxation:

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Auditors' remuneration:				
- statutory audit	**650**	637	**180**	174
Impairment for:				
- trade and other receivables (net)	**4,290**	3,890	**-**	-
- intercompany receivables	**-**	-	**-**	3,600
- amount due from an associate	**429**	-	**-**	-
(Reversal)/Provision for obsolescence of inventories	**(1,426)**	1,389	**-**	-
Inventories written off	**4,371**	6,420	**-**	-
Property, plant and equipment:				
- depreciation	**4,536**	4,200	**452**	175
- loss/(gain) on disposal	**93**	(68)	**-**	-
- written off	**-**	3	**-**	-
- impairment	**693**	-	**-**	-
Depreciation of investment properties	**35**	34	**-**	-
Gain on disposal of available-for-sale financial assets	**(1,095)**	(2,891)	**(1,095)**	(2,893)
Unrealised foreign exchange loss/(gain)	**442**	(16)	**442**	115
Dividends from available-for-sale financial assets	**(825)**	(737)	**(794)**	(685)
Dividends from subsidiaries	**-**	-	**(31,110)**	(16,130)
Interest income:				
- amount due from subsidiaries	**-**	-	**(368)**	(371)
- external	**(1,381)**	(1,104)	**(197)**	(114)
- amounts due from an associate	**(216)**	(175)	**-**	-
Management fees receivable from an associate	**(12)**	(12)	**-**	-
Management fee payable to a subsidiary	**-**	-	**1,377**	1,281
Outward transportation charges	**11,543**	14,279	**-**	-
Rental expense on land and buildings	**9,963**	9,631	**41**	44
Rental income on land and buildings	**(1,336)**	(1,627)	**-**	-
Staff costs:				
- salaries, wages, bonus, commissions and allowances*	**57,160**	55,020	**422**	396
- defined contribution plan	**8,242**	7,752	**-**	-
- others	**682**	573	**-**	-
Travelling expenses	**4,026**	3,731	**17**	9

*includes Directors' remuneration. The Directors' remuneration is disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

9. DIRECTORS' REMUNERATION

The aggregate amount of emoluments receivable by Directors of the Company during the financial year is as follows:

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Fees and allowances	**422**	396	**422**	396
Salaries and other emoluments	**1,772**	1,350	**-**	-
Defined contribution plan	**266**	88	**-**	-
	2,460	1,834	**422**	396
Estimated monetary value of benefits-in-kind	**83**	88	**23**	23

10. TAXATION

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
The tax charge for the financial year comprise:				
Current tax:				
- Malaysian tax	**7,628**	7,707	**207**	71
- Deferred tax (Note 18)	**(1,148)**	(1,250)	**(131)**	(13)
	6,480	6,457	**76**	58
Current tax:				
- Current financial year	**8,254**	8,443	**188**	80
- (Over)/Under accrual in prior years	**(626)**	(736)	**19**	(9)
	7,628	7,707	**207**	71
Deferred tax:				
- Origination and reversal of temporary differences	**(1,148)**	(1,250)	**(131)**	(13)
	6,480	6,457	**76**	58

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

10. TAXATION (CONTINUED)

The explanation of the relationship between taxation and profit before taxation is as follows:

	Group		Company	
	2017	2016	**2017**	2016
	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	**28,017**	26,981	**30,477**	14,069
Tax calculated at the Malaysian tax rate of 24% (2016: 24%)	**6,724**	6,475	**7,314**	3,377
Tax effects of				
- Expenses not deductible for tax purposes	**1,029**	1,423	**769**	1,229
- Income not subject to tax	**(719)**	(897)	**(8,026)**	(4,539)
- Deferred tax assets not recognised	**72**	192	**-**	-
- (Over)/Under accrual in prior years	**(626)**	(736)	**19**	(9)
Taxation	**6,480**	6,457	**76**	58

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

	Group	
	2017	2016
Profit for the financial year attributable to owners of the Company (RM'000)	**21,591**	20,550
Number of ordinary shares in issue ('000)	**68,476**	68,476
Basic and diluted earnings per share (sen)	**31.53**	30.01

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

12. DIVIDENDS

Dividends recognised as distribution to the shareholders by the Company are as follows:

	2017	2016
	RM'000	RM'000
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**	-
In respect of the financial year ended 31 December 2015 declared and paid in the financial year ended 31 December 2016:		
Final single tier dividend of RM0.15 per ordinary shares paid on 18 July 2016	**-**	10,271
	17,119	10,271

For the financial year ended 31 December 2017, 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 2017 (CONTINUED)

13. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM'000	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Total RM'000
Cost						
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
Accumulated depreciation						
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 (Note14)	19	-	-	-	-	19
As at 31 December 2017	(2,542)	-	(6,993)	(11,884)	(26,064)	(47,483)
Accumulated impairment						
As at 1 January 2017	-	-	(2,100)	-	-	(2,100)
Charge for the financial year	-	-	(693)	-	-	(693)
31 December 2017	-	-	(2,793)	-	-	(2,793)
Net book value						
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 2017 (CONTINUED)

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold land RM'000	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Total RM'000
Group						
Cost						
As at 1 January 2016	16,701	328	16,428	16,663	33,525	83,645
Additions	-	-	38	1,048	2,955	4,041
Disposals	-	-	-	(961)	(14)	(975)
Written off	-	-	-	-	(15)	(15)
As at 31 December 2016	16,701	328	16,466	16,750	36,451	86,696
Accumulated depreciation						
As at 1 January 2016	(2,265)	-	(6,401)	(10,891)	(20,812)	(40,369)
Charge for the financial year	(148)	-	(300)	(1,241)	(2,511)	(4,200)
Disposals	-	-	-	811	13	824
Written off	-	-	-	-	12	12
As at 31 December 2016	(2,413)	-	(6,701)	(11,321)	(23,298)	(43,733)
Accumulated impairment						
As at 1 January 2016/ 31 December 2016	-	-	(2,100)	-	-	(2,100)
Net book value						
As at 31 December 2016	14,288	328	7,665	5,429	13,153	40,863

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Total RM'000
Company			
Cost			
As at 1 January 2017	**1,097**	**1,144**	**2,241**
Additions	**-**	**328**	**328**
As at 31 December 2017	**1,097**	**1,472**	**2,569**
Accumulated depreciation			
As at 1 January 2017	**(370)**	**(408)**	**(778)**
Charge for the financial year	**(169)**	**(283)**	**(452)**
As at 31 December 2017	**(539)**	**(691)**	**(1,230)**
Net book value			
As at 31 December 2017	**558**	**781**	**1,339**
Cost			
As at 1 January 2016	1,097	421	1,518
Additions	-	723	723
As at 31 December 2016	1,097	1,144	2,241
Accumulated depreciation			
As at 1 January 2016	(203)	(400)	(603)
Charge for the financial year	(167)	(8)	(175)
As at 31 December 2016	(370)	(408)	(778)
Net book value			
As at 31 December 2016	727	736	1,463

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

14. INVESTMENT PROPERTIES

Group

	2017 RM'000	2016 RM'000
Cost		
As at 1 January	**2,031**	2,031
Reclassification from property, plant and equipment (Note 13)	**740**	-
As at 31 December	**2,771**	2,031
Accumulated depreciation		
As at 1 January	**(870)**	(836)
Charge for the financial year	**(35)**	(34)
Reclassification from property, plant and equipment (Note 13)	**(19)**	-
As at 31 December	**(924)**	(870)
Net book value	**1,847**	1,161
Cost	**2,771**	2,031
Accumulated depreciation	**(924)**	(870)
Net book value	**1,847**	1,161

The fair values of investment properties for the Group as at 31 December 2017 were estimated at RM13,670,000 (2016: 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 MFRS 13 fair value hierarchy as the valuations were based on observable valuation inputs, and certain inputs were adjusted, taking into consideration the location and size of the properties.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Listed securities:				
- Equity securities – Malaysia	**323**	389	**-**	-
- Equity securities – Singapore	**2,345**	1,723	**2,345**	1,723
- Equity securities – Russia	**-**	339	**-**	339
- Equity securities – United States	**3,466**	2,025	**3,466**	2,025
Unit trust funds	**21,820**	11,944	**21,561**	11,811
	27,954	16,420	**27,372**	15,898

During the current financial year, the changes in fair values recognised in other comprehensive income of the Group and of the Company amounted to a net gain of RM0.2 million (2016: net loss of RM1.7 million) and RM0.2 million (2016: net loss of RM1.7 million) respectively.

Available-for-sale financial assets are denominated in the following currencies:

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Ringgit Malaysia	**22,143**	12,333	**21,561**	11,811
Singapore Dollar	**2,345**	1,723	**2,345**	1,723
United States Dollar	**3,466**	2,364	**3,466**	2,364
	27,954	16,420	**27,372**	15,898

The fair value of equity securities are determined based on quoted prices in active markets and are classified as Level 1 in accordance with MFRS 13 classification hierarchy.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

16. SUBSIDIARIES

Company

	2017 **RM'000**	2016 RM'000
Unquoted shares at cost	**62,581**	62,581
Less: Allowance for impairment loss	**(4,984)**	(4,984)
	57,597	57,597

The Group's effective equity interest in the subsidiaries are as follows:

Name of companies	Effective equity interest **2017** **%**	2016 %	Principal activities
Incorporated in Malaysia			
Held directly by Harrisons Holdings (Malaysia) Berhad			
Harrisons Peninsular Sdn. Bhd.	**100**	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.	**100**	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 2017 (CONTINUED)

16. SUBSIDIARIES (CONTINUED)

Name of companies	Effective equity interest 2017 %	2016 %	Principal activities
Incorporated in Malaysia			
Held directly by Harrisons Holdings (Malaysia) Berhad (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
Subsidiaries of Harrisons Peninsular Sdn. Bhd.			
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
Harrisons Corporate Services Sdn. Bhd. #	**100**	100	Provision of management services
Marca Privada Sdn. Bhd. #	**100**	60	Procurement and marketing of consumer goods
Subsidiaries of Harrisons Sabah Sdn. Bhd.			
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 2017 (CONTINUED)

16. SUBSIDIARIES (CONTINUED)

Not audited by PricewaterhouseCoopers, 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 62% in Harrisons Marketing & Services Sdn. Bhd. The remaining 38% is held by Harrisons Peninsular Sdn. Bhd. Therefore, the Group holds an effective equity interest of 100%.

During the financial year, the Company's subsidiary, Harrisons Peninsular Sdn. Bhd. ('HPSB'), acquired 80,000 ordinary shares, representing 40% of the total issued and paid-up share capital of Marca Privada Sdn. Bhd. ("Marca"), for a total cash consideration of RM2. As a result, Marca became a wholly-owned subsidiary of HPSB. Marca is currently dormant and its intended principal activities are procurement and marketing of consumer products. The acquisition of shares has no material effect on the earnings per share nor net assets per share of Harrisons Group for the financial year ended 31 December 2017.

17. INVESTMENT IN ASSOCIATE

The Group has not recognised its share of loss after tax of an associate for the financial year of RM65,000 (2016: Loss after tax of RM18,000) as the share of accumulated losses of the associate of RM789,000 exceeds 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 RM789,000 (2016: RM724,000).

The Group's effective equity interest in the associate is as follows:

	Effective equity interest		
Name of company	**2017**	2016	Principal activities
	%	%	
Associate of Harrisons Peninsular Sdn. Bhd.			
Harrisons Logistics Sdn. Bhd. #	**30**	30	Marketing, sales, warehousing and distribution of agrochemical products and building materials and forwarding agent

Not audited by PricewaterhouseCoopers, Malaysia. The above associate is incorporated in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

18. 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:

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Deferred tax after offsetting to be recovered after more than 12 months:				
- Deferred tax assets	**5,979**	4,772	**216**	85
- Deferred tax liabilities	**(678)**	(619)	**-**	-
At 31 December	**5,301**	4,153	**216**	85
At 1 January	**4,153**	2,903	**85**	72
Credited/(Charged) to profit or loss (Note 10):				
- property, plant and equipment	**282**	193	**133**	(4)
- allowance of impairment for trade receivables	**791**	(84)	**-**	-
- provision for obsolescence of inventories	**(181)**	374	**-**	-
- accruals	**256**	767	**(2)**	17
	1,148	1,250	**131**	13
At 31 December	**5,301**	4,153	**216**	85

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

18. DEFERRED TAXATION (CONTINUED)

	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets (before offsetting)				
- allowance of impairment for trade receivables	**3,756**	2,965	**-**	-
- provision for obsolescence of inventories	**2,189**	2,370	**-**	-
- accruals	**3,824**	3,568	**102**	104
- property, plant and equipment	**-**	-	**114**	-
	9,769	8,903	**216**	104
Offsetting	**(3,790)**	(4,131)	**-**	(19)
Deferred tax assets (after offsetting)	**5,979**	4,772	**216**	85
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	**(4,468)**	(4,750)	**-**	(19)
Offsetting	**3,790**	4,131	**-**	19
Deferred tax liabilities (after offsetting)	**(678)**	(619)	**-**	-

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:

	Group	
	2017 RM'000	2016 RM'000
Deductible temporary differences	**5,933**	5,910
Unused tax losses	**6,414**	6,137
	12,347	12,047
Deferred tax assets not recognised at applicable tax rate	**2,963**	2,891

The unused tax losses and deductible temporary differences are available indefinitely for offset against future taxable profits of certain subsidiaries in the Group, subject to agreement with the Inland Revenue Board. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

19. INVENTORIES

	Group	
	2017	2016
	RM'000	RM'000
Finished goods	**178,624**	168,078

The carrying amount of inventories is RM178.6 million (2016: RM168.1 million) after deducting provision for obsolescence of inventories amounting to RM8.5 million (2016: RM9.9 million).

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Trade receivables	**321,675**	301,526	**-**	-
Less: Allowance for impairment of trade receivables	**(29,250)**	(25,815)	**-**	-
Trade receivables - net	**292,425**	275,711	**-**	-
Amounts due from subsidiaries	-	-	**7,853**	7,738
Less: Allowance for impairment of amount due from a subsidiary	-	-	**(3,600)**	(3,600)
Amount due from subsidiaries - net	-	-	**4,253**	4,138
Deposits	**1,606**	1,703	**50**	51
Prepayments	**662**	734	**40**	36
Other receivables	**12,333**	13,747	**5,285**	7,115
	14,601	16,184	**5,375**	7,202
	307,026	291,895	**9,628**	11,340

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2016: 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 RM2,964,000 (2016: RM2,535,000) 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.

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% (2016: 7.1%) per annum.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

21. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Deposits with licensed banks	**9,054**	20,264	**-**	-
Cash and bank balances	**85,763**	93,155	**18,180**	14,360
Deposits, cash and bank balances	**94,817**	113,419	**18,180**	14,360
Bank overdrafts (Note 23)	**(4,496)**	(896)	**-**	-
Cash and cash equivalents	**90,321**	112,523	**18,180**	14,360

The weighted average interest rates per annum of deposits that were effective as at the reporting date are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	%	%	**%**	%
Deposits with licensed banks	**2.85**	2.93	**-**	-

Deposits of the Group and of the Company have a maturity within three months (2016: three months). Bank balances are deposits held at call with banks.

The currency exposure profile of deposits, cash and bank balances are disclosed in Note 28(i) to the financial statements.

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Trade payables	**135,479**	180,638	**-**	-
Other payables	**5,060**	4,477	**-**	-
Refundable deposits	**9,498**	8,561	**-**	-
Accruals	**18,886**	16,555	**691**	627
	168,923	210,231	**691**	627

Credit terms of trade payables granted to the Group and the Company range from 5 days to 90 days (2016: 5 days to 90 days).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

23. BORROWINGS – CURRENT (UNSECURED)

	Group	
	2017	2016
	RM'000	RM'000
Bank overdrafts (Note 21)	**4,496**	896
Bankers' acceptances	**177,882**	119,768
Revolving credit	**5,500**	9,500
	187,878	130,164

The unsecured bank overdrafts and short-term bankers' acceptances have an average maturity period of on call to one month (2016: on call to one month).The revolving credit has a maturity period of 60 days (2016: 60 days).

The average interest rates per annum of borrowings that were effective as at the reporting date are as follows:

	Group	
	2017	2016
	%	%
Bank overdrafts	**7.78**	7.75
Bankers' acceptances	**3.91**	4.16
Revolving credit	**4.72**	4.80

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

23. BORROWINGS – CURRENT (UNSECURED) (CONTINUED)

The amendments to MFRS 107 require the Group and the Company to provide disclosures that enable users of financial statements to evaluate the changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The change in liabilities is disclosed as follows:

	Group RM'000
Bankers' acceptances:	
As at 1 January 2017	119,768
Drawdown	1,287,633
Repayments	(1,229,519)
Interest charged	5,716
Interest paid	(5,716)
As at 31 December 2017	177,882
Revolving credit:	
As at 1 January 2017	9,500
Drawdown	37,000
Repayments	(41,000)
Interest charged	95
Interest paid	(95)
As at 31 December 2017	5,500

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

24. SHARE CAPITAL

	Group and Company	
	2017	2016
	RM'000	RM'000
Authorised ordinary shares:		
At beginning of the financial year	**100,000**	100,000
Abolishment of the concept of authorised share capital on 31 January 2017	**(100,000)**	-
At end of the financial year	**-**	100,000
Issued and fully paid ordinary shares:		
At beginning of financial year	**68,489**	68,489
Transfer of share premium as a result of transition to no-par regime on 31 January 2017	**34**	-
At end of the financial year	**68,523**	68,489

The Companies Act 2016 which came into effect on 31 January 2017, abolished the concept of authorised share capital and par 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 2017.

As at 31 December 2017, the number of outstanding shares in issue after setting off treasury shares against equity is 68,476,200 (2016: 68,476,200).

25. 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 RM1,996,000 (2016: RM9,238,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

25. COMMITMENTS (CONTINUED)

(b) Non-cancellable operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Group	
	2017	2016
	RM'000	RM'000
Within one year	**9,355**	8,535
Later than one year and not later than five years	**23,150**	23,729
Later than five years	**5,513**	7,260
	38,018	39,524

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.

26. MATERIAL LITIGATION

The Sibu High Court ruled on 13 November 2015 in favour of Eastern Pillars Sdn. Bhd. 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 Sibu 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.

As at 31 December 2017, the Group continued to record the amount of RM3.1 million, which is included in Other Payables in Note 22 to the financial statements, pending the outcome of the Federal Court's decision.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

27. 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	
	2017	2016
	RM'000	RM'000
Harrisons Corporate Services Sdn. Bhd.	**1,377**	1,208

(b) Companies in which certain Directors of the Company and/or close members of the family have substantial financial interest:

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
(i) Rental of office space from Sinar Nusantara Sdn. Bhd. #	**186**	188	**41**	44

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% (2016: 40.88%) direct interest in the Company.

(c) Key management personnel

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Key management:				
- fee and allowance	**82**	66	**-**	-
- basic salaries and bonus	**3,665**	3,176	**-**	-
- defined contribution retirement plan	**550**	491	**-**	-
	4,297	3,733	-	-
Estimated monetary value of benefits-in-kind	**156**	159	**40**	40

27. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management personnel (continued)

Key management personnel of the Company are Executive Directors of the Company and include 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.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's activities are exposed to a variety of financial risks, including foreign 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 exchange risk

Foreign currency 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:

	From USD RM'000	From SGD RM'000	From GBP RM'000	Others RM'000	Total RM'000
Group					
As at 31 December 2017					
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)
	7,021	1,254	1,234	754	10,263

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(i) Foreign 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)

	From USD RM'000	From SGD RM'000	From GBP RM'000	Others RM'000	Total RM'000
Group (continued)					
As at 31 December 2016					
Deposits, cash and bank balances	1,447	156	-	177	1,780
Available for sale financial assets	2,364	1,723	-	-	4,087
Trade and other receivables	451	1,014	1,245	785	3,495
Trade and other payables	-	(241)	-	-	(241)
	4,262	2,652	1,245	962	9,121
Company					
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**
	5,605	**3,406**	**1,234**	**736**	**10,981**
As at 31 December 2016					
Available for sale financial assets	2,364	1,723	-	-	4,087
Trade and other receivables	451	1,014	1,245	785	3,495
	2,815	2,737	1,245	785	7,582

The currencies giving rise to this risk are primarily United States Dollar ("USD"), Singapore Dollar ("SGD") and Great Britain Pouds ("GBP")

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(i) Foreign exchange risk (continued)

The following table demonstrates the sensitivity of the Group's and the Company's profit after tax and other comprehensive income, 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.

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Impact on profit or loss net of tax due to changes in USD by 5%:	**135**	72	**81**	17
Impact on profit or loss net of tax due to changes in SGD by 5%:	**(41)**	35	**40**	39
Impact on profit or loss net of tax due to changes in GBP by 5%:	**47**	47	**47**	47
Impact on other comprehensive income net of tax due to changes in USD by 5%	**267**	162	**213**	107
Impact on other comprehensive income net of tax due to changes in SGD by 5%	**48**	101	**129**	104
Impact on other comprehensive income net of tax due to changes in GBP by 5%	**47**	47	**47**	47

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

28. 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, Russia, and United States and are classified as 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 RM559,000 and RM547,000 (2016: RM328,000 and RM318,000) higher/lower respectively, arising as a result of an increase/decrease in the fair value of these marketable securities.

(iv) Credit risk

Concentration of credit risk with respect to trade receivables is limited due to the Group's large number of customers who are locally dispersed, cover a wide spectrum of trading and distribution and have a variety of end markets to which they sell. The Group's historical experience in collection of accounts falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables. At the Company level, exposure to bad debts for other receivables and amounts due from subsidiaries is not significant as the parties do not have historical default other than the amounts impaired in the prior financial year arising from an advance given to a subsidiary in the prior financial year.

In respect of receivables, the Group and the Company have 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. The Group and the Company consider the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings, RAM Rating Services Berhad or to historical information about counterparty default rates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Credit risk (continued)

Ageing analysis of trade and other receivables (excluding prepayments)

The ageing analysis of the Group's and Company's trade and other receivables are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Neither past due nor impaired	**210,127**	181,634	**9,588**	11,304
Past due but not impaired:				
1 to 30 days past due	**59,450**	58,527	**-**	-
31 to 60 days past due	**24,792**	29,871	**-**	-
61 to 90 days past due	**11,995**	21,129	**-**	-
	96,237	109,527	-	-
Impaired	**29,250**	25,815	**3,600**	3,600
	335,614	316,976	**13,188**	14,904

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Counterparties without external credit rating:				
- Group 1 - new customers/debtors (less than 6 months)	**10,599**	9,650	**-**	-
- Group 2 - existing customers/debtors (more than 6 months)	**199,528**	171,984	**9,588**	11,304
Total neither past due nor impaired trade and other receivables^	**210,127**	181,634	**9,588**	11,304

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Credit risk (continued)

As at 31 December 2017, 3.0% (2016: 3.1%) of the trade receivables are collateralised or supported by bank guarantees and cash deposits.

Receivables that are past due but not impaired

The Group has trade and other receivables amounting to RM96.2 million (2016: RM109.5 million) that are past due at the reporting date but not impaired. The Group is of the view that these amounts are recoverable. The receivables are creditworthy customers with good payment records with the Group.

Impaired

Movement in impairment of trade receivables is as follows:

	Group	
	2017	2016
	RM'000	RM'000
At 1 January	**25,815**	22,210
Charge for the financial year	**4,417**	3,890
Reversal for the financial year	**(127)**	-
Written off	**(855)**	(285)
At 31 December	**29,250**	25,815

In the prior financial years, the Company advanced RM3.6 million to one of its subsidiaries. The amount was fully impaired as at the reporting date.

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not supported by any collateral or credit enhancements.

The other classes within trade and other receivables other than an amount due from a subsidiary do not contain impaired assets.

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Deposits, cash and bank balances				
Counterparties with external credit rating:				
- AAA	**65,222**	52,969	**18,050**	14,234
- AA	**28,246**	58,174	**130**	126
- A+	**1,296**	2,202	**-**	-
	94,764*	113,345*	**18,180**	14,360

* excludes cash in hand of the Group amounting to RM53,000 (2016: RM74,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 statements of financial position date to the contractual maturity date. 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
At 31 December 2017		
Group		
Trade and other payables	168,923	168,923
Borrowings	187,878	189,414
	356,801	358,337
Company		
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
	691	35,108

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

28. 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
At 31 December 2016		
Group		
Trade and other payables, excluding statutory liabilities	209,767	209,767
Borrowings	130,164	135,774
	339,931	345,541
Company		
Trade and other payables	627	627
Financial guarantee contracts:		
- given to financial institutions for the subsidiaries' bank borrowings	-	26,599
- given to trade payables of the subsidiaries	-	26,895
	627	54,121

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.

(vi) Fair value

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

29. CAPITAL RISK MANAGEMENT

The Group's and the Company's objectives when managing capital are to safeguard their ability to 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.

Capital structure represents the Group's and the Company's ordinary shares and retained earnings.

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.

30. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables RM'000	Available-for-sale RM'000	Total RM'000
Group			
31 December 2017			
Financial assets as per statements of financial position			
Available-for-sale financial assets	-	27,954	27,954
Trade and other receivables excluding prepayments and receivables from government	306,364	-	306,364
Deposits, bank and cash balances	94,817	-	94,817
Total	401,181	27,954	429,135

	Other financial liabilities at amortised cost RM'000	Total RM'000
31 December 2017		
Financial liabilities as per statements of financial position		
Trade and other payables	168,923	168,923
Borrowings	187,878	187,878
Total	356,801	356,801

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

30. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Loans and receivables RM'000	Available-for-sale RM'000	Total RM'000
Group			
31 December 2016			
Financial assets as per statements of financial position			
Available-for-sale financial assets	-	16,420	16,420
Trade and other receivables excluding prepayments and receivables from government	289,692	-	289,692
Deposits, bank and cash balances	113,419	-	113,419
Total	403,111	16,420	419,531

	Other financial liabilities at amortised cost RM'000	Total RM'000
31 December 2016		
Financial liabilities as per statements of financial position		
Trade and other payables excluding statutory liabilities	209,767	209,767
Borrowings	130,164	130,164
Total	339,931	339,931

	Loans and receivables RM'000	**Available-for-sale RM'000**	**Total RM'000**
Company			
31 December 2017			
Financial assets as per statements of financial position			
Available-for-sale financial assets	**-**	**27,372**	**27,372**
Other receivables (excluding prepayments)	**5,335**	**-**	**5,335**
Amounts due from subsidiaries	**4,253**	**-**	**4,253**
Deposits, cash and bank balances	**18,180**	**-**	**18,180**
Total	**27,768**	**27,372**	**55,140**

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

30. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

31 December 2017

	Other financial liabilities at amortised cost RM'000	Total RM'000
Financial liability as per statements of financial position		
Trade and other payables	**691**	**691**

Company

31 December 2016

	Loans and receivables RM'000	Available-for-sale RM'000	Total RM'000
Financial assets as per statements of financial position			
Available-for-sale financial assets	-	15,898	15,898
Other receivables (excluding prepayments)	7,166	-	7,166
Amounts due from subsidiaries	4,138	-	4,138
Deposits, cash and bank balances	14,360	-	14,360
Total	25,664	15,898	41,562

Company

31 December 2016

	Other financial liabilities at amortised cost RM'000	Total RM'000
Financial liability as per statements of financial position		
Trade and other payables	627	627

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

31. SIGNIFICANT EVENTS AFTER REPORTING DATE

On 5 March 2018, Harrisons Peninsular Sdn. Bhd.("HPSB"), a wholly-owned subsidiary of the Company, entered into a Share Purchase Agreement ("SPA") with Watts Co Ltd., for the acquisition of 8,500,000 ordinary shares of Watts Harrisons Sdn Bhd ("WHSB") representing 100% of the equity of WHSB, at a purchase consideration of USD1.00. Upon completion of the acquisition on 5 April 2018, WHSB became a wholly-owned indirect subsidiary of the Company. Based on the SPA, HPSB shall pay, on behalf of WHSB, the shortfall of balance of the outstanding debt due to Watts Co Ltd., if there is insufficient cash in WHSB to pay the Watts Co Ltd. on the completion date.

32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 13 April 2018.

LIST OF PROPERTIES AS AT 31 DECEMBER 2017

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 31.12.2017 RM'000
JWSB	Lot No. L.O. PJ 52/66, Section 20A, 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/ 52 years since 1966	13.03.1986	2,254
JWSB	Unit No. A-7-1, Dua Residency, Jalan Tun Razak, Kuala Lumpur	Condominium	Freehold	2,315.00	11 years Since 2007	27.08.2004	1,020
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/ 29 years since 1989	31.12.1990	134
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/ 36 years since 1982	31.12.1990	1,213
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/ 32 years	31.12.1990	1,130
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	769
HSabah	Kota Kinabalu Town Lease No. 017503856	3 storey office building	999 years – lease expiring on 23.04.2910	929.00	2,092.45/ 57 years	07.05.1990	3,393
HSabah	Kota Kinabalu Town Lease No. 017511661	2 storey office building	99 years – lease expiring on 26.02.2089	445.92	463.77/ 47 years	07.05.1990	718
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/ 32 years	07.05.1990	92
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/ 61 years	07.05.1990	704

LIST OF PROPERTIES AS AT 31 DECEMBER 2017
(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 31.12.2017 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/ 59 years	07.05.1990	2,131
HSabah	Sandakan Town Lease No. 077544220	Single storey godown	999 years lease expiring on 30.06.2911	5,989.35	2,090.32/ 32 years	07.05.1990	1,784
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/ 32 years	07.05.1990	891
HSabah	Tawau CL105498224	Warehouse	99 years lease expiring on 31.10.2050	6,947.06	2,322.50/ 32 years	30.09.2004	1,135
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/ 59 years	07.05.1990	1,789
HSabah	Jalan Merdeka, Labuan Grant No. 207503866	Temporary open space storage	99 years expiring on 27.02.2051	3,530.32	-	07.05.1990	1,393
HSabah	Kinarut, Sabah Lease No. 025320487 025320496 025320763 025320772	Vacant Land	99 years lease expiring on 21.12.2073 for Lease No. 025320487 & 025320496 99 years lease expiring on 31.12.2081 for Lease No. 025320763 & 025320772	1,290.20	-	31.12.1986	66
HSabah	Lahad Datu TL 117508559	Warehouse	99 years lease expiring on 26.01.2066	6,377.86	2,136.70/ 32 years	31.12.1999	1,178
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

Abbreviation:

JWSB	:	J. Whyte (Malaysia) Sdn. Bhd.
HPSB	:	Harrisons Peninsular Sdn. Bhd.
HSabah	:	Harrisons Sabah Sdn. Bhd.
HSarawak	:	Harrisons Sarawak Sdn. Bhd.

Analysis of Shareholdings as at 28 March 2018

Issued share capital	-	68,489,200 ordinary shares (inclusive of 13,000 treasury shares)
Class of shares	-	Ordinary shares
No. of shareholders	-	1,764
Voting right	-	One (1) vote per ordinary share

LIST OF SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

		Direct Interest		Indirect Interest	
	Names	No. of Shares	% ^	No. of Shares	% ^
1.	Bumi Raya International Holding Company Limited	28,005,231[1]	40.89	987,000[+]	1.44
2.	Dunway Holding Limited	4,580,817[2]	6.69	2,522,300*	3.68

Notes:

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 (PWM Asing)*	15,226,300
• Maybank Securities Nominees (Asing) Sdn. Bhd. *Pledged Securities Account for Bumi Raya International Holding Co Ltd*	8,000,000
• Bumi Raya International Holding Company Limited	4,778,931
	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

^ Excluding 13,000 Harrisons Shares bought back by Harrisons and retained as treasury shares.

[+] Deemed interested through Jantoco Holdings Sdn. Bhd. by virtue of Section 8 of the Companies Act, 2016.

* Deemed interested through Jantoco Properties Sdn. Bhd. by virtue of Section 8 of the Companies Act, 2016.

Analysis of Shareholdings as at 28 March 2018
(CONTINUED)

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS'S SHAREHOLDINGS

		Direct Interest		Indirect Interest	
	Names of Directors	No. of Shares	%	No. of Shares	%
1.	Pandjijono 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	35	1.98	624	0.00
100 – 1,000	534	30.27	464,754	0.68
1,001 – 10,000	924	52.38	3,898,722	5.70
10,001 – 100,000	234	13.27	6,474,408	9.45
100,001 - Less than 5% of issued shares	31	1.76	15,250,644	22.27
5% and Above of Issued shares	6	0.34	42,400,048	61.91
	1,764	100.00	68,489,200	100.00

Analysis of Shareholdings as at 28 March 2018
(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 (PWM Asing)*	15,226,300	25.15
2.	Maybank Securities Nominees (Asing) Sdn. Bhd. *Pledged Securities Account for Bumi Raya International Holding Company Limited (39B)*	8,000,000	11.68
3.	Bumi Raya International Holding Company Limited	4,778,931	6.98
4.	Citigroup Nominees (Asing) Sdn. Bhd. *Exempt An for UBS AG Singapore (Foreign)*	4,580,817	6.69
5.	Citigroup Nominees (Asing) Sdn. Bhd. *Exempt An for OCBC Securities Private Limited (Client A/C-NR)*	4,349,000	6.35
6.	UOB Kay Hian Nominees (Asing) Sdn. Bhd. *Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)*	3,465,000	5.06
7.	Citigroup Nominees (Asing) Sdn. Bhd. *UBS AG Singapore for Tektron Holdings Ltd*	2,600,000	3.80
8.	Jantoco Properties Sdn. Bhd.	2,522,300	3.68
9.	Mohamed Nazri Bin Abdul Aziz	1,980,600	2.89
10.	CIMB Group Nominees (Asing) Sdn. Bhd. *Exempt An for DBS Bank Ltd (SFS-PB)*	1,134,600	1.66
11.	Jantoco Holdings Sdn. Bhd.	987,000	1.44
12.	CIMB Group Nominees (Asing) Sdn. Bhd. *Exempt An for DBS Bank Limited (SFS)*	639,100	0.93
13.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledge Securities Account for Lim Kuan Gin*	622,700	0.91
14.	Lim Ah Hua	492,900	0.72
15.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. *Deutsche Bank AG Singapore for Yeoman 3-Rights Value Asia Fund (PTSL)*	400,000	0.58
16.	Public Invest Nominees (Asing) Sdn Bhd *Exempt An for Phillip Securities Pte Lted (Clients)*	332,700	0.49
17.	Teuh Chin Yap	323,000	0.47

Analysis of Shareholdings as at 28 March 2018
(CONTINUED)

18.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for Bank Julius Baer & Co Ltd (Singapore BCH)*	300,000	0.44
19.	Cimsec Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tan Tuan Phin (Jalan Dedap – CL)*	257,100	0.38
20.	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lee Kin Kheong (E-IMO)*	237,000	0.35
21.	Teo Kock Sei	210,000	0.31
22.	Wong Yoke Kong	169,000	0.25
23.	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Ling Hew Teng (E-BTL)*	168,444	0.25
24.	General Technology Sdn. Bhd.	167,900	0.25
25.	Ng Su Peng	167,500	0.24
26.	HLB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tan Soo Sie*	166,000	0.24
27.	Foo Chow Luh	154,000	0.22
28.	Chong Chee Fire	150,000	0.22
29.	Affin Hwang Nominees (Asing) Sdn Bhd *Exempt An for DBS Vickers Securities (Singapore) Pte Ltd (Clients)*	140,000	0.20
30.	Liew Shin Choy	136,600	0.20
		56,858,492	83.02

HARRISONS HOLDINGS (MALAYSIA) BERHAD
(194675-H)
(Incorporated in Malaysia)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 28th ANNUAL GENERAL MEETING of Harrisons Holdings (Malaysia) Berhad ("the Company") will be held at Ballroom A, Level 2,Seri Pacific Hotel, Jalan Putra, 50746 Kuala Lumpur on Friday, 8 June 2018 at 10.30 a.m. for the purpose of considering the following businesses:-

A G E N D A

As Ordinary Business:

1. To lay the Audited Financial Statements for the financial year ended 31 December 2017 and the Reports of the Directors and Auditors thereon.
(Please refer to Explanatory Note (a))

2. To declare the final single-tier dividend of 20 cents per ordinary share for the financial year ended 31 December 2017.
(Ordinary Resolution 1)

3. To re-elect the following Directors who are retiring by rotation in accordance with Article 76 of the Company's Constitution:

   (i) Mr Chan Poh Kim **(Ordinary Resolution 2)**

   (ii) Wong Yoke Kong **(Ordinary Resolution 3)**

4. To approve the payment of Directors' fees of RM409,000 for the financial year ended 31 December 2017.
(Ordinary Resolution 4)

5. To approve the payment of Directors' remuneration (excluding Directors' Fees) payable to the Non-Executive Directors of the Company for the financial period from 9 June 2018 until the next Annual General Meeting.
(Ordinary Resolution 5)

6. To re-appoint Messrs. PricewaterhouseCoopers as the Auditors of the Company and to authorise the Directors to fix their remuneration.
(Ordinary Resolution 6)

As Special Business:

To consider and if thought fit, pass the following resolutions with or without modifications:

NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

7. AUTHORITY TO ISSUE SHARES

"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 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 issued and paid-up share capital (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."

(Ordinary Resolution 7)

8. CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR – MR WONG YOKE KONG

"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."

(Ordinary Resolution 8)

9. CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR -MR FOO CHOW LUH

"THAT 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."

(Ordinary Resolution 9)

10. CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR -MR CHONG CHEE FIRE

"THAT subject to approval of shareholder on Ordinary Resolution 3, 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."

(Ordinary Resolution 10)

11. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of the shareholders at the Twenty Eight Annual General Meeting, a final single-tier dividend of 20 per ordinary share in respect of the financial year ended 31 December 2017, if approved, will be payable on 13 July 2018 to shareholders whose names appear in the Record of Depositors on 29 June 2018.

NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

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 29 June 2018 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)
LIM LEE KUAN (MAICSA 7017753)
TEO MEE HUI (MAICSA 7050642)

30 April 2018
Kuala Lumpur

Notes:

i) 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.

ii) 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.

iii) 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.

iv) 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.

v) 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.

vi) 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.

vii) 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.

viii) 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 1 June 2018 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.

NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

Explanatory notes on Ordinary and Special Business

a) Item 1 of the Agenda - Audited Financial Statements for the financial year ended 31 December 2017.

The Audited Financial Statements under this agenda item is meant for discussion only as the provision of Section 248 of the Companies Act 2016 does not require a formal approval of the shareholders and hence this item is not put forward for voting.

b) 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 28th 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 9 June 2018 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:

Description	**Directors**
Meeting Allowance	
- Board Meeting	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 28th 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.

c) Ordinary Resolution 7 - Authority to Issue 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 issued share capital 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.

NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

d) 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.

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 fulfill the requirements of Paragraph 3.04 of the Main Market Listing Requirements and in line with the recommendation Nos. 4.1 and 4.2 of the Malaysian Code on Corporate Governance 2017.

HARRISONS HOLDINGS (MALAYSIA) BERHAD
(194675-H)
(Incorporated in Malaysia)

FORM OF PROXY

* I/We …….

NRIC/ No.Passport/ No.Company ………………………………..…………………of……………………………………………………

being a Member(s) of **HARRISONS HOLDINGS (MALAYSIA) BERHAD (194675-H),** hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)
***And/or (delete as appropriate)**			

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 Eight Annual General Meeting of the Company to be held at Ballroom A, Level 2, Seri Pacific Hotel, Jalan Putra, 50746 Kuala Lumpur on Friday, 8 June 2018 at 10.30 a.m. or at any adjournment thereof and to vote as indicated below:

Ordinary Resolutions		**For**	**Against**
1	To approve Final Single-Tier Dividend		
2	To re-elect Mr Chan Poh Kim as a Director		
3	To re-elect Mr Wong Yoke Kong as a Director		
4	To approve the payment of Directors' fees for the financial year ended 31 December 2017		
5	To approve the payment of Directors' remuneration (excluding Directors' Fee) payable to the Non-Executive Directors for the financial period from 9 June 2018 until the next Annual General Meeting		
6	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company		
7	**Special Business** Authority to Issue Shares		
8	To approve Mr Wong Yoke Kong to continue act as an Independent Non-Executive Director		
9	To approve Mr Foo Chow Luh to continue act as Independent Non-Executive Director		
10	To approve Mr Chong Chee Fire to continue act as an Independent Non-Executive Director		

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 ……….…............... 2018.

…………….…….……….……….............…….
Signature / Common Seal of Shareholder

Number of Shares Held	
CDS Account No.	
Telephone No.	

Notes:

i) 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.

ii) 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.

iii) 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.

iv) 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.

v) 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.

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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
(194675-H)

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

Tel : 603-2382 4288
Fax : 603-2382 4170 / 71 / 72
Email : general@harrisons.com.my
Website : www.harrisons.com.my

CORPORATE GOVERNANCE REPORT

STOCK CODE	**:**	5008
COMPANY NAME	**:**	Harrisons Holdings (Malaysia) Berhad
FINANCIAL YEAR	**:**	December 31, 2017

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 PERSUANT 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.

Application	:	Applied
Explanation on application of the practice	:	The Board of Harrisons 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"). 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 Group's stakeholders. Each Director has a legal duty to act in the best interest of the Company and are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the Company are managed. The Board sets the Company's values and standards and ensures that its obligations to its shareholders and stakeholders are understood and met. The responsibilities of the Board are inclusive of but not limited to: 1. Charting the strategic direction, and setting out short term and long term plans for the Group; 2. Promoting ethical and best corporate governance culture in the Group; 3. Monitoring and reviewing of compliance with the internal control policies and the risk management systems; 4. Monitoring compliance with the relevant rules & regulations and accounting standards within the corporate and business environment; 5. Overseeing and reviewing the business operations within a systematic and controlled environment; 6. Approving and monitoring the annual budget and financial performance of the Group;

	7. Appointing and determining the remuneration, duration and relevant appointment terms of the Group MD; and 8. Assessing the performance of and developing the succession plan for the Group MD and other Executive Directors. The role of Management team is to support the Executive Director and implement the running of the general operations and business of the Group, in accordance with the delegated authority of the Board. Key matters that reserved for the Board's approval include, amongst others the following: a) Conflict of interest issues relating to a substantial shareholder or a Director; b) Material acquisitions and disposal of assets not in the ordinary course of business; c) Investment in Capital Projects; d) Authority level; e) Significant material litigation; f) Risk Management policies; and g) Key human resource issues. 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.	
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 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied
Explanation on application of the practice	:	Mr Pandjijona 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 also serves as the communication point between the Board and Group Managing Director ("MD"). As provided under the Company's Board Charter, the Chairman is responsible for, among others: a. leading the Board in setting the values and standards of the Company; b. maintaining a relationship of trust with and between the Executive and Non-Executive Directors; c. ensuring the provision of accurate, timely and clear information to Directors; d. ensuring effective communication with shareholders and relevant stakeholders; e. arranging regular evaluation of the performance of the Board, its Committees and individual Directors; f. facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations be maintained between Executive and Non-Executive Directors. The Chairman, together with the Chief Executive Officer ("CEO") and the Company Secretary sets the agenda for Board meetings and ensures that all relevant issues are on the agenda. The Chairman is also responsible for managing the business of the Board to ensure that: a. All Directors are properly briefed on issues arising at Board meetings; b. 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 c. the issues discussed are forward looking and concentrates on strategy.
Explanation for departure	:	

<table>
<tr><td></td><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

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.

Application	:	Applied	
Explanation on application of the practice	:	The Company aims to ensure a balance of power and authority between the Chairman and the CEO with a clear division of responsibility between the running of the Board and the Company's business respectively. The positions of Chairman (ie. Non-Executive Chairman) and CEO are separated and clearly defined in the Company's Board Charter. The Board is headed by Mr Pandjijono Adijanto @ Tan Hong Phang, Non-Independent Non- Executive Chairman whereas Mr Chan Poh Kim assumes the role as the Group MD. 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. 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. The respective duties and responsibilities of the Chairman and the Group MD are clearly defined in the Board Charter.	
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 1.4

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.

<table>
<tr><td>Application :</td><td>Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td>The Board appoints the Company Secretary, who plays an important advisory role, and ensures that tie Company Secretary fulfils the functions for which he/she has been appointed. The Company Secretary is accountable to the Board through the Chairman of the Board and Committees on all governance matters.

The Company Secretary serves as a central source of information and advice to the Board and its Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company. The Board is regularly updated and apprised by the Company Secretaries on new regulation issued by the regulatory authorities. The Company Secretaries also serve notice to the Directors and Principal Officers to notify them of closed periods for trading in Harrisons' securities.

The roles and responsibilities of the Company Secretary include, but are not limited to the following:

• advise Directors of their obligations to adhere to matters relating to:
  ▪ disclosure of interest in securities
  ▪ disclosure of any conflict of interest in a transaction involving the Company
  ▪ prohibition on dealing in securities
  ▪ restrictions on disclosure of price-sensitive information.
• keep abreast of, and inform, the Board of current governance practices.

The Board members have unlimited access to the professional advice and services of the Company Secretary.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td></td></tr>
<tr><td></td></tr>
<tr><td colspan="2">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
</table>

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.

<table>
<tr><td>Application :</td><td>Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td>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.

The 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 the Management is insufficient, the Board will make further enquiries where necessary to which the persons responsible will respond as fully and promptly as possible.

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.

A full agenda and comprehensive Board papers are circulated to all Directors well in advance of each Board meeting.

Amongst others, the Board papers include the following:
a. quarterly financial report and report on the Company's cash and borrowing positions;
b. minutes of meetings of all Committees of the Board;
c. a current review of the operations of the Company;
d. reports on Related Party Transactions and Recurrent Related Party Transactions;
e. directors' share-dealings, including public shareholdings spread; and
f. annual management Plans.

Full Board minutes of each Board meeting are kept by the Company Secretary and are available for inspection by any Director during office hours.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td></td></tr>
<tr><td></td></tr>
</table>

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

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.

Application	:	Applied
Explanation on application of the practice	:	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. 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. The principles set out in the Board Charter are: a. kept under review and updated as practices on Corporate Governance develop and further guidelines on Corporate Governance are issued by the relevant regulatory authorities; b. applied in practice having regard to their spirit and general principles rather than to the letter alone; and c. summarised in the Annual Report as part of a narrative statement by the Directors on Corporate Governance. The Board Charter addresses, among others, the following matters:- • Role and responsibilities of the Board; • Composition and Board balance; • Appointment and re-election procedures; • Supply of information and General meetings; • The role of Chairman and CEO; • Board Committees; and • Financial Reporting; and Relationship with other stakeholders. The Board Charter is accessible for reference on the Company's website, http://www.harrisons.com.my.
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

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.

<table>
<tr><td>Application</td><td>:</td><td>Applied</td></tr>
<tr><td>Explanation on application of the practice</td><td>:</td><td>The Group is committed to achieving and monitoring high standards pertaining to behavior 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 require 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, http://www.harrisons.com.my.

The principle of this code is based on principles in relation to sincerity, integrity, responsibility and corporate social responsibility.

This Code of Ethics is formulated to enhance the standard of corporate governance and corporate behaviour with the intention of achieving the following aims:
• 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.
• To uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administrating a company.</td></tr>
<tr><td rowspan="2">Explanation for departure</td><td rowspan="2">:</td><td></td></tr>
<tr><td></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
</table>

Measure :		
Timeframe :		

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.

Application	:	Applied
Explanation on application of the practice	:	The Company has adopted a whistleblowing policy whereby all employees are encouraged to report genuine concerns about unethical behavior 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. The Whistleblowing Policy is intended to directly support the Company's Core Values, Code of Ethics and Governance requirement. Harrisons Holdings (Malaysia) Berhad ("the Company") places high value on the level of trust and integrity expected of its employees within its Group of Companies ('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. 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 organization who have dealings with the Company can confidently voice concerns / complaints in a responsible manner without fear of discriminatory treatment. The Whistleblowing policy was approved by the Board on 15th April 2016. The Board of Directors or Board Audit Committee can modify this Policy unilaterally at any time without notice. Modification may be necessary, among other reasons, to maintain compliance with laws and regulation and / or accommodate organizational changes within the Company or Group. However, the modification made shall be effective after the same is circulated to employees in writing or electronically.

<table>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

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.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">The Board comprises of six (6) members, three (3) of which are Independent Non- Executive Directors as follows:

• Mr Foo Chow Luh
• Mr Chong Chee Fire
• Mr Wong Yoke Kong

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 particular 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.

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. Based on the assessment in 2017, 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 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.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

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.

Application	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years
Explanation on application of the practice	:	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. 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. 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 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.
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

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">The Board consists of qualified individuals with diverse experiences, backgrounds and perspectives. The composition and size of the Board is such that it facilitates the making of informed and critical decisions.

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.

The Nomination Committee evaluates and matches the criteria of the candidate, and will consider diversity, including gender, where appropriate, and recommends to the Board for appointment. Consideration will be given to those individuals possessing the identified skill, talent and experience.

The appointment procedures and requirements are listed out in the Board Charter.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board acknowledges the importance of boardroom diversity and the recommendation of the Code pertaining to the establishment of a gender diversity policy. Presently, there is one (1) female director in the Board.	
		The Board through the Nomination Committee will endeavor to achieve 30% female director through progressive refreshing of the Board as it implements the nine year policy for Independent Non-Executive Director.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">The Nomination Committee ("NC") is responsible for recommending suitable candidates for Directorships to the Board. The responsibilities of the NC are outlined in the Terms of Reference.

In sourcing the suitable candidates for the Board, the NC have access to a wide selection of candidates. Besides referrals from the Directors, Shareholders and Management, the following is the approach used by the NC in sourcing the candidates for the Board:-

- Industry and Professional Associations; and
- Business Associates / Customers / Principals.

In order to enable Directors to devote sufficient time to carry out their responsibilities, Paragraph 15.06 of Bursa Securities Listing Requirements restricts a Director of an applicant or a listed issuer from holding more than 5 directorships in listed issuers.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2">Please explain the measure(s) the company has taken or intend to take to adopt the practice.</td></tr>
<tr><td>Timeframe :</td><td>Choose an item.</td><td></td></tr>
</table>

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.

Application :	Applied	
Explanation on application of the practice :	The Nomination Committee ("NC") comprises Non-Executive Directors and a majority of the Committee members are appointed from the Independent Directors. The Chairman of the NC, Mr Foo Chow Luh is a Senior Independent Non-Executive Director. The roles and responsibilities of the NC is available in the corporate website, http://www.harrisons.com.my.	
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 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.

Application	:	Applied
Explanation on application of the practice	:	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 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. For the financial year ended 31 December 2017, the Nomination Committee had conducted one meeting to review the following:- • 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 Annual General Meeting ("AGM") and recommended the same for re-election by the shareholders; and • Reviewed the performance of the CFO.

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
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.

Application	:	Applied	
Explanation on application of the practice	:	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. The Company has a Remuneration Policy set in place and the level of remuneration for the CEO 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. 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.	
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
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.

Application :	Applied
Explanation on application of the practice :	The Company has a Remuneration Committee that is comprise of Non-Executive Directors and a majority of the Committee members are appointed from amongst the Independent Non-Executive Directors. The members of the Remuneration Committee are as below: 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 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. 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. 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.	
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 7.1
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 2017.	
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.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">Details of the remuneration of the top Senior Management (including salary, bonus, benefits- in- kind and other emoluments) for each successive of RM 50,000 during the financial year 2017 are as follows:
<table>
<tr><th>Range of Remuneration (RM)</th><th>Name of Top Senior Management</th></tr>
<tr><td>400,001 – 450,000

550,001 – 600,000

700,001 – 750,000</td><td>Tee Chee Chiang - Managing Director Harrisons Peninsular Sdn Bhd

Low Kong Choon - Chief Financial Officer / Group Secretary
Chang Kon Sang - Managing Director Harrisons Sabah Sdn Bhd

Lim Hong Chin - Chief Operating Officer / Managing Director Harrisons Sarawak Sdn Bhd</td></tr>
</table>
</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	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.

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.

Application	:	Applied	
Explanation on application of the practice	:	The Board of Directors 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 Adijanto @Tan Hong Phang. As such, the Chairman of the Audit Committee is distinct from the Chairman of the Board. 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. The duties and responsibilities of the Audit Committee are outlined in the Terms of Reference of the Audit Committee, which is available on the Company's website at http://www.harrisons.com.my.	
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
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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Currently, no former key audit partner of the external auditors of the Company have been appointed as a member of the Audit Committee.	
		The Audit Committee shall observe the requirement in the event the former key audit partner is appointed to the Board and will amend the Terms of Reference of the Audit Committee in year 2018.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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.

Application	:	Applied
Explanation on application of the practice	:	The Company has an Auditor Independence Policy in place to assess the suitability, objectivity and independence of the External Auditors. Under the Board Charter, the Audit Committee is required to meet on a quarterly basis to carry out its functions. The Audit Committee is also responsible for recommending the person or persons to be nominated to act as the external Auditor and the remuneration and terms of engagement of the external Auditor. For the financial year ended 31 December 2017, the Audit Committee has 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, independence of Messrs. PricewaterhouseCoopers. Having satisfied itself with Messrs. PricewaterhouseCooper's performance, technical competency and audit independence as well as fulfillment of criteria as set out in the Auditor Independence Policy, the Audit Committee recommended the re-appointment of Messrs. PricewaterhouseCoopers to the Board, upon which the shareholders' approval will be sought at the forthcoming AGM.
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
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.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee for the financial year ended 2017 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.

<table>
<tr><td>Application :</td><td>Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td>According to the Audit Committee's terms of reference, the Board reviews the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference. It is also provided in the Audit Committee terms of reference that at least one (1) member of the Audit Committee is a member of the Malaysian Institute of Accountants ("MIA") or if he/she is not a member of the MIA, he/she must have at least three (3) years' of working experience and;
• he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
• he must be a member of one (1) of the associations of accountants as specified in Part II of the 1st Schedule of the Accountants Act 1967; or
• fulfils such other requirements as prescribed or approved by Bursa Securities.

Currently, the Audit Committee comprises three (3) members as follows:

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

Collectively, the Audit Committee possesses a wide range of necessary skills to discharge its duties. All members of the Audit Committee are financially literate and have a vast experience in this field. Mr Chong Chee Fire, was awarded a Fellowship of the Association of Chartered Certified Accountants and 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.</td></tr>
</table>

	All members of the Audit Committee have undertaken continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. During the financial year, the respective members of the Audit Committee have attended the following courses:
Explanation for departure :	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.	
Measure :	
Timeframe :	

Name of Directors	Course(s) Attended	Conducted By
Mr Foo Chow Luh	- Market Outlook	- Eastspring Investments
Mr Chong Chee Fire	- Mastering GST Accounting,	- Malaysian Institute of Accountants
Mr Wong Yoke Kong	- Market Outlook 2017 : Mid-Year Review	- Julius Baer

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.

Application	:	Applied	
Explanation on application of the practice	:	The Company has a risk management and internal control framework in place to ensure the Company and Board of Directors are making informed decisions about the level of risk that the Company want to take and implement the necessary controls to effectively pursue HHMB's objectives. 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 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. 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, HHMB has a detailed internal control process establised 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 2018 Annual Report.	
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

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.

Application	:	Applied
Explanation on application of the practice	:	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 Board of Directors ("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 Oversight Committee was established to assist the Board to fulfil its oversight responsibilities with respect to the Group's risk management processes. The Enterprise Risk Management process comprise: 1. Risk Identification 2. Risk Evaluation 3. Risk Mitigation 4. Risk Monitoring 5. Risk Review 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: - loss of distribution agencies; and - trade credit extended to customers A detailed report on the Risk Management and Internal Control Framework of HHMB are set out in its Statement on Risk Management and Internal Control which is available on the Company's 2018 Annual Report.
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
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.

Application	:	Adopted
Explanation on adoption of the practice	:	The Board has establised a Risk Oversight Committee to assist the Board to fulfill its oversight responsibilities with respect to the risk management process of the Company. The Risk Oversight Committee comprises a majority of independent directors and the members are: 1. Mr Pandjijono Adijanto @ Tan Hong Phang (Chairman) – Non- Independent Non- Executive Director 2. Mr Chong Chee Fire (Member) – Independent Non- Executive Director 3. Mr Foo Chow Luh (Member) – Senior Independent Non –Executive Director

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.

Application	:	Applied	
Explanation on application of the practice	:	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. 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. 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.	
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
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.

Application	:	Applied	
Explanation on application of the practice	:	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. 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. There are four (4) internal auditors with relevant qualifications and experience in the Internal Audit Department. Lee Ah Tin, Association of Chartered Certified Accountants (ACCA). The Internal Audit Function is carried out 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 Auditors, Malaysia.	
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

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.

Application	:	Applied
Explanation on application of the practice	:	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. 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 Securities' website and the Company's website at www.harrisons.com.my. Through the Company's website, the stakeholders are able to direct queries to the Company. To ensure that shareholders and 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.
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

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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company does not fall under the category of "Large Companies" as defined by the Malaysian Code on Corporate Governance 2017. The Company has yet to adopt integrated reporting based on the globally recognised framework as it is not a statutory requirements in Malaysia to adopt integrated reporting.	
		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 current Annual Report provides stakeholders with a fairly comprehensive overview on the Company's financial and non-financial information including future prospects. Hence, this enables stakeholders of the Company to make informed decisions.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	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.

Application	:	Applied	
Explanation on application of the practice	:	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 Annual General Meeting ("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. In this regard, the notice for the upcoming AGM in 2018 was provided to shareholders on 30 April 2018, at least 28 days before the meeting, which will be held on 8 June 2018. 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. The notes to the notice of the 28th AGM had provided detailed explanations for each resolutions proposed.	
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 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">At the 27th Annual General Meeting ("AGM") all 6 Directors were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company. Amongst them, two (2) Directors were the Chairmen of the Audit Committee, Risk Oversight Committee, Remuneration Committee and Nomination Committee respectively.

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.

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.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

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.

<table>
<tr><td>Application</td><td>:</td><td colspan="2">Departure</td></tr>
<tr><td>Explanation on application of the practice</td><td>:</td><td colspan="2"></td></tr>
<tr><td rowspan="2">Explanation for departure</td><td rowspan="2">:</td><td colspan="2">The location of General Meetings have always been held in the Klang Valley area at locations which are accessible by public transport. Moreover, the Company has about 1,786 shareholders as at 31 December 2017 and the number is not large to leverage technology to facilitate the voting in absentia and remote shareholders' participation at general meetings.

The upcoming 28th Annual General Meeting will be held at Ballroom A, Level 2, Seri Pacific Hotel situated at Jalan Putra, P.O.Box 11468, 50746 Kuala Lumpur.</td></tr>
<tr><td colspan="2">Shareholders are entitled to appoint representatives or proxy/proxies/Chairman to vote on their behalf in their absence.</td></tr>
<tr><td colspan="4">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure</td><td>:</td><td colspan="2">Please explain the measure(s) the company has taken or intend to take to adopt the practice.</td></tr>
<tr><td>Timeframe</td><td>:</td><td>Choose an item.</td><td></td></tr>
</table>

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT 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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