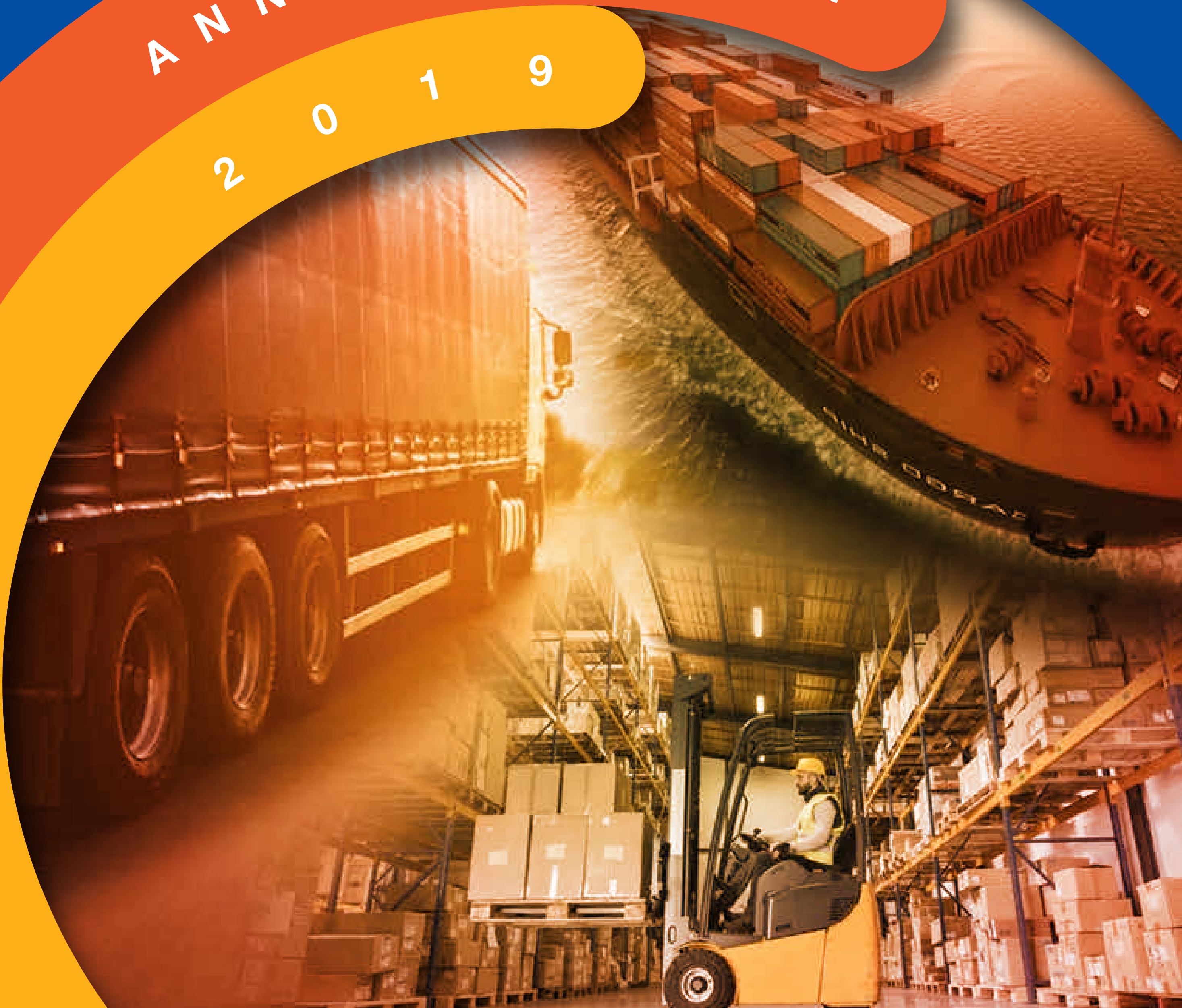
Harrisons Holdings (Malaysia) Berhad

Registration No. 199001003108 (194675-H)

Established Since 1918

STAYING FOCUS

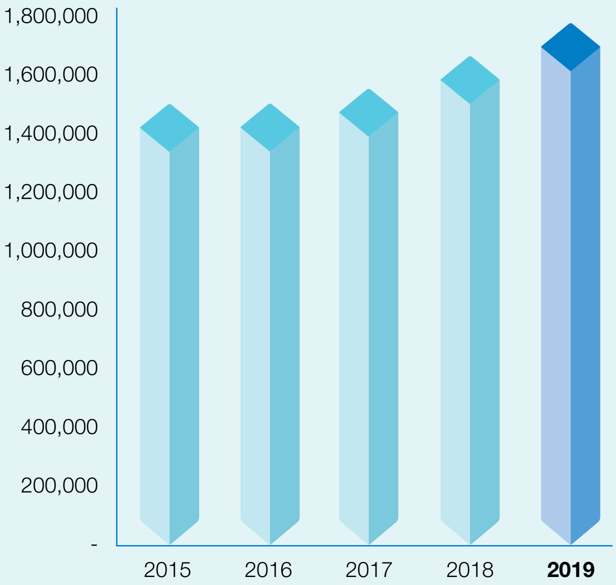
ANNUAL REPORT 2019



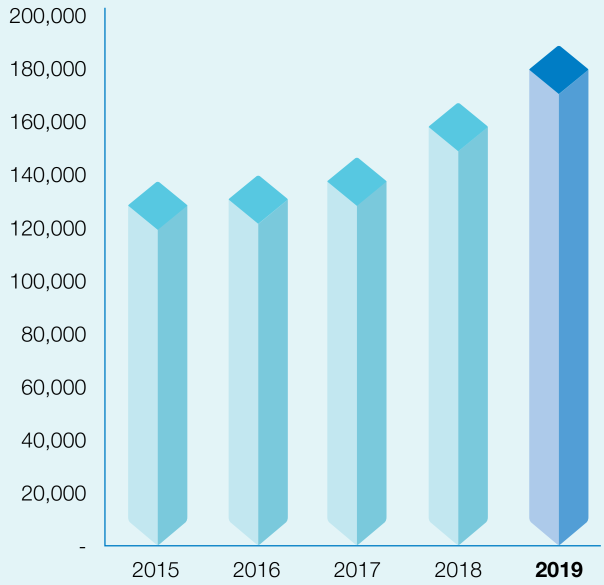
HIGHLIGHTS OF THE GROUP'S FINANCIAL INFORMATION FOR THE PAST 5 FINANCIAL YEARS

	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Turnover	1,497,810	1,499,998	1,550,954	1,651,428	**1,763,737**
Gross Profit	138,116	140,417	146,869	167,345	**188,912**
Gross Profit margin (%)	9.22%	9.36%	9.47%	10.13%	**10.71%**
Profit/(Loss) before taxation	22,655	26,981	28,017	31,657	**34,707**
Taxation	8,100	6,457	6,480	9,584	**7,432**
Profit/(Loss) after taxation	14,555	20,524	21,537	22,073	**27,275**

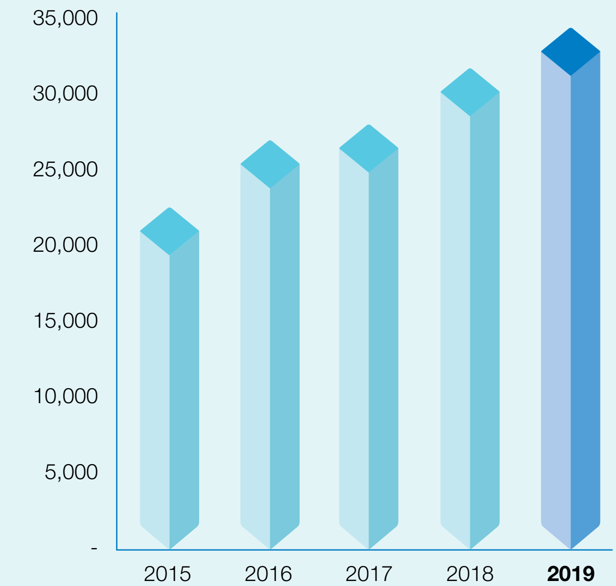
Turnover (RM'000)



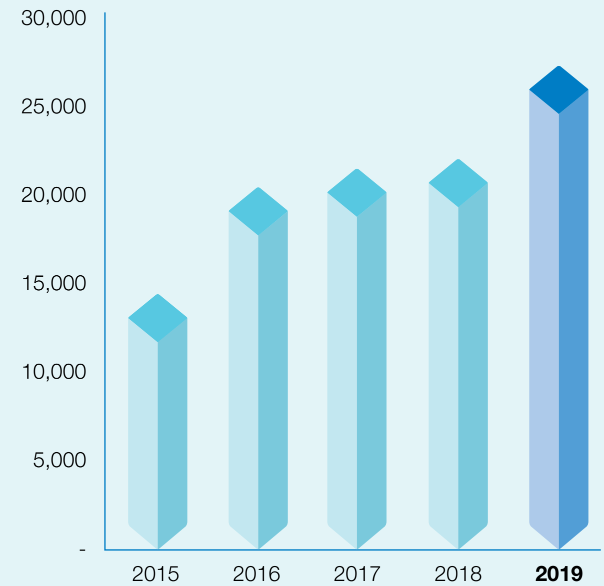
Gross Profit (RM'000)



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



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



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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Chang Kon Sang
(Executive Director cum Chief Executive Officer (CEO))

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)

AUDIT COMMITTEE

Foo Chow Luh – Chairman
Chong Chee Fire
Wong Yoke Kong

RISK MANAGEMENT COMMITTEE

Wong Yoke Kong – Chairman
Foo Chow Luh
Chong Chee Fire

NOMINATION COMMITTEE

Foo Chow Luh – Chairman
Chong Chee Fire
Pandjijono Adijanto @ Tan Hong Phang

REMUNERATION COMMITTEE

Pandjijono Adijanto @ Tan Hong Phang – Chairman
Foo Chow Luh
Chong Chee Fire

STOCK EXCHANGE

Main Market of Bursa Malaysia Securities Berhad

Stock Code	:	5008
Sector	:	Consumer Products & Services

SECRETARIES

Low Kong Choon *(MAICSA 0818548)*
(SSM PC No. 202008003025)
Tan Kok Siong *(LS0009932)*
(SSM PC No. 202008001592)
Tan Bee Hwa *(MAICSA 7058049)*
(SSM PC No. 202008001174)

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

REGISTERED OFFICE

10th Floor, Menara Hap Seng
No. 1 & 3, Jalan P. Ramlee
50250 Kuala Lumpur
Tel: +603-2382 4288
Fax: +603-2382 4170

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
Email : general@harrisons.com.my

DIRECTORS' PROFILE

MR PANDJIJONO ADIJANTO @ TAN HONG PHANG
(Non-Independent Non-Executive Chairman)

Mr Pandjijono Adijanto @ Tan Hong Phang, Male, 66 years of age, an Indonesian, was appointed as a Director of the Company on 21 March 1990 and subsequently appointed as the Non-Executive Chairman on 16 July 1999. He obtained an honours in Bachelor of Science Degree in Metallurgy from the University of Newcastle, United Kingdom in year 1977. After graduation, he started his career for Bumi Raya Group in Singapore in year 1978. Currently, he is the President of Bumi Raya Group, which has diversified interests in trading, mining, manufacturing, plantations and property investments. He is also the Chairman of the Remuneration Committee and a member of the Nomination Committee.

MR CHANG KON SANG
(Executive Director cum Chief Executive Officer ("CEO"))

Mr Chang Kon Sang, Male, 69 years of age, a Malaysian, was appointed as Executive Director cum Acting CEO of the Company on 5 August 2019 and later confirmed as Executive Director cum CEO on 5 February 2020. He was the Managing Director of Harrisons Sabah Sdn. Bhd. from 1997 to 2019. Before that, he was appointed as Associate Director (Finance) on 1 October 1987 and later as the Finance Director on 1 October 1989. Mr Chang is a Fellow of the Institute of Chartered Accountant of England and Wales and a Registered Chartered Accountant of the Malaysian Institute of Accountants. He has served Harrisons Sabah Sdn. Bhd. since May 1980. Before his appointment as the Associate Director, he had held the positions of Senior Accountant and Chief Accountant/Company Secretary.

MS MARIANA ADIJANTO @ TAN PHWE LENG
(Non-Independent Non-Executive Director)

Ms Mariana Adijanto @ Tan Phwe Leng, Female, 61 years of age, a Singaporean, was appointed as a Director of the Company on 2 September 1993. She holds a Bachelor of Science (Honours) Degree from the University of Aston in Birmingham, United Kingdom, majoring in Pharmacy. Upon graduation in year 1981, she worked in various British hospitals and later worked in Cold Storage Pte. Ltd. from years 1982 to 1984. She joined Bumi Raya Group in Singapore in year 1984 and later in Hong Kong in year 1986. She has substantial management experience in the distribution and retail sector, which was accumulated throughout her years with Cold Storage Pte. Ltd. and Bumi Raya Group.

MR WONG YOKE KONG
(Independent Non-Executive Director)

Mr Wong Yoke Kong, Male, 65 years of age, a Malaysian, was appointed as a Director of the Company on 15 February 1994. He was re-designated as an Independent Non-Executive Director on 12 May 2008. He graduated with Bachelor of Arts (Law) degree from Manchester Polytechnic, United Kingdom in year 1977 and was admitted as a barrister by Honourable Society of Gray's Inn, London in year 1978. He began his career in year 1979 as a legal assistant with Messrs. Sidek Sulaiman Sya. Since year 1982, he has been practicing as a founder partner of Messrs. Nazri Aziz & Wong, a Kuala Lumpur-based law firm. He is a member of the Audit Committee and the Chairman of the Risk Management Committee.

DIRECTORS' PROFILE (CONTINUED)

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

Mr Foo Chow Luh, Male, 64 years of age, a Malaysian, was appointed as a Director of the Company on 21 June 1999 and was identified as Senior Independent Non-Executive Director on 15 April 2013. He graduated with a Bachelor of Science (Hons) degree in Quantity Surveying from the University of Reading, United Kingdom in year 1981. In year 1983, he qualified as a Registered Quantity Surveyor with the Board of Quantity Surveyors Malaysia and was admitted as a member of the Royal Institution of Surveyors Malaysia in year 1984. He is a Chartered Quantity Surveyor of The Royal Institution of Chartered Surveyors of United Kingdom. He began his career as a Senior Quantity Surveyor at Baharuddin Ali & Low Sdn. Bhd., a quantity surveying consultant firm in year 1981. He is a founder partner of Jurukur Bahan FPS Sdn. Bhd., a Consultant Quantity Surveying Firm. He is the Chairman of the Audit Committee and Nomination Committee and a member of the Remuneration Committee and Risk Management Committee.

MR CHONG CHEE FIRE
(Independent Non-Executive Director)

Mr Chong Chee Fire, Male, 65 years of age, a Malaysian, was appointed as a Director of the Company on 5 March 2002. Mr Chong was awarded a Fellowship of the Association of Chartered Certified Accountants and holds an MBA degree from Bradford University, United Kingdom. He is also a member of the Malaysian Institute of Accountants. He has more than 30 years of working experience in the banking and financial services industry serving in various capacities and was the 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 Committee, Nomination Committee, Remuneration Committee and Risk Management Committee.

Notes to the Directors' Profile:

Family Relationship with any Director and/or major shareholder

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

List of Conviction for offences within the past 5 years

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

DIRECTORS' PROFILE (CONTINUED)

Conflict of Interest with the Company

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

Attendance at Board Meetings

The details of attendance of the Directors at the Board Meetings during the financial year are set out on page 29 of this Annual Report.

Directors' Shareholdings

The details of Directors' shareholdings are set out in the Analysis of Shareholdings on page 139 of this Annual Report.

Directorship in other public companies

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

KEY SENIOR MANAGEMENT'S PROFILE

MR CHANG KON SANG
(CEO)

The profile of Mr Chang Kon Sang is disclosed in page 3 of the Annual Report.

MR LIM HONG CHIN
(Chief Operating Officer and Managing Director of Harrisons Sarawak Sdn. Bhd.)

Mr Lim Hong Chin, Male, 65 years of age, a Malaysian was appointed as the Managing Director of Harrisons Sarawak Sdn. Bhd. since 1 Oct 1990. Mr Lim graduated from University of Warwick, UK with a BA (Honours) in Economics in 1979. Before his appointment as the Managing Director, Mr Lim held various positions in companies within the Harrisons Group, including Branch Manager of Sibu and Miri, Area Sales Manager Sarawak (based in Kuching), and Marketing Manager of Sabah, Sarawak and Brunei Darussalam (based in Kota Kinabalu).

MR LOW KONG CHOON
(Chief Financial Officer/Group Company Secretary)

Mr Low Kong Choon, Male, 62 years of age, a Malaysian was appointed as the Chief Financial Officer/ Group Company Secretary on 5 February 1991. Mr Low is a Fellow of the Australia Society of Certified Practising Accountant, a Chartered Accountant registered under the Malaysian Institute of Accountants and a Fellow of the Institute of Chartered Secretaries and Administrators. Mr Low worked as a financial controller for Bain Securities Ltd, Hong Kong and Bain & Co, Sydney from year 1987 to 1989. Mr Low has been overseeing Harrison's Group's financial, tax and secretarial matters for over 30 years.

MR ANG LIAN WAL
(Managing Director of Harrisons Sabah Sdn. Bhd.)

Mr Ang Lian Wal, Male, 57 years of age, a Malaysian was appointed as the Managing Director of Harrisons Sabah Sdn. Bhd. since 1 October 2019. Before that, he was appointed as the Associate Director on 1 July 2016 and later as the Director on 1 January 2011. Mr Ang graduated from Universiti Utara Malaysia, Kedah, Malaysia with Bachelor Degree in Public Administration (Hons) in 1989. He has served in Harrisons Sabah Sdn. Bhd. since January 1993. Before his appointment as the Managing Director, Mr Ang held various positions in the Company, including Branch Shipping Executive and Shipping Manager of Tawau, East Coast Shipping Manager (based in Tawau), Branch Manager of Tawau, General Sales Manager for Nestle business (based in Head Office, Kota Kinabalu) and General Manager who took charge of overall business for Nestle, shipping, chemical & fertilisers, technical products and travel.

MR TEE CHEE CHIANG
(Managing Director of Harrisons Peninsular Sdn. Bhd.)

Mr Tee Chee Chiang, Male, 54 years of age, a Malaysian was appointed as the Managing Director of Harrisons Peninsular Sdn. Bhd. ("HP") on 1 July 2013. Mr Tee graduated from University Sains Malaysia, majoring in Economics and has been in the building materials supply industry for over 23 years. He joined HP as a Marketing Manager in 1995 and was promoted to the General Manager before his latest appointment. Mr Tee currently oversees the overall business operation of HP's diversified business in the distribution of building materials; agro/industrial chemicals; importers of fine wines and whiskies and also agent of air/sea freight forwarding.

KEY SENIOR MANAGEMENT'S PROFILE (CONTINUED)

Notes to Key Senior Management's Profile

- None of the key senior management holds any other directorship in other public companies and listed issuers nor have any family relationship with any Directors and/or major shareholder of the Company.

- None of the Key Senior Management has any conflict of interest with the Company and has no conviction for any offences within the past five (5) years and there was no public sanction or penalty imposed by the relevant regulatory bodies against the Key Senior Management during the financial year.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of Harrisons Holdings (Malaysia) Berhad ("Harrisons") and its Group of Companies ("Group") for the financial year ended 31 December 2019.

FINANCIAL PERFORMANCE

Within a volatile environment and continuous competitive pressure, I am pleased to report that the Group has delivered another record breaking revenue for financial year 2019. Revenue for financial year 2019 increased by RM112.31 million or 6.80% while Profit Before Taxation improved by RM3.05 million or 9.63% to RM34.71 million. For financial year 2019, Profit After Tax increased by RM5.20 million or 23.57% to RM27.28 million as compared to RM22.07 million in financial year 2018. The full details of the Group performance are made available in the Management Discussion and Analysis section.

DIVIDENDS

The Board has not adopted any dividend policy but has been able to consistently deliver reasonably good dividends over the years. Dividend payments are subject to Group's profitability, long-term plans and cash flow position. Basic earnings per share increased to 39.20 cents for the financial year 2019 as compared to 31.80 sen in the previous financial year. The Company proposes to declare a final single-tier dividend of 20 sen per ordinary share in respect of the financial year ended 31 December 2019 (2018: 20 sen).

MOVING FORWARD

We will continue to focus on our core distribution business in 2020. The growth will come from our existing agencies and from securing new agencies. We will also grow the breadth and depth of our market reach in East and West Malaysia to win more market share.

As for the new retail business in Malaysia, we have closed two Komonoya retail outlets in 2020 and the one remaining will be closed in 2021. The overall retail market has been weak following the outbreak of the Coronovirus Diseases ("COVID-19") and we do not foresee it to get better in 2020. We will strategise to increase sales for our Famous Amos Cookies retailing outlets in Singapore. We are repositioning some of our retail outlets and will carry out more promotions via social media and online marketing.

Following the uncertainties arising from the outbreak of COVID-19, we remain cautiously optimistic that the sales of our Fast-Moving Consumer Goods Division for 2020 will not be adversely affected as a big portion of them are essential goods. However, we expect to see slow down for our Building Materials, Industrial and Chemicals, Shipping agency and Retail divisions for 2020. The Fast-Moving consumer goods division accounts for 85% of total sales.

ACKNOWLEDGEMENTS

At this juncture, I would like to express my appreciation to my fellow Directors especially Mr Chan Poh Kim who has retired from the Company on 5 August 2019 after serving as Group Managing Director for over 21 years, the Management team and all our employees who have worked hard to drive the Group's growth forward. A word of thanks also to our valued customers, shareholders, merchants and business associates for their continuous support. Together, we look forward to Harrisons' brighter future for a greater year and even success in 2020.

Thank you.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Business Activities

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

a. In East Malaysia, Harrisons Sabah Sdn. Bhd. and Harrisons Sarawak Sdn. Bhd. 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 Sdn. Bhd. and Harrisons Marketing & Services Sdn. Bhd. are involved in the marketing, sales, warehousing and distribution of building materials, industrial and agricultural chemicals, and import and distribution of fine wines as well as the freight forwarding and shipping.

   Presently, Harrisons has over 200 principals, and distributes approximately 11,000 product items to over 10,000 accounts spread all over Malaysia. The Group operates a total network of 27 branches and 47 warehouses strategically located throughout Malaysia (13 in Peninsular, 9 in Sabah and 5 in Sarawak) and is supported by over 1,700 employees.

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

Objectives and Strategy

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

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

Financial Performance Review

The Group has continued to register a good financial performance for the financial year 2019, with encouraging growth achieved for both revenue and earnings.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Revenue

	2019 RM'000	2018 RM'000	Changes RM'000	Growth %
Fast-Moving Consumer Goods	1,465,826	1,363,779	102,047	7.48
Building Materials and Engineering Products	209,389	208,792	597	0.29
Industrial and Agriculture Chemical Products	42,393	51,944	(9,551)	-18.39
Retailing	33,583	16,440	17,143	104.28
Others	12,546	10,473	2,073	19.79
Total Revenue	**1,763,737**	**1,651,428**	**112,309**	**6.80**

For financial year 2019, Harrisons recorded another milestone revenue of RM1.76 billion, an increase of RM112.31 million or 6.80%. The increase in sales was mainly due to higher sales from our key agencies in the Fast-Moving Consumer Goods Division. Sales of Building Materials and Engineering products improved slightly by 0.29% as cement prices picked up during financial year 2019. The Industrial and Agriculture Chemicals Product declined as price pressures and intensifying competition continued to prevail during financial year 2019.

Sales for the Retail Sector increased significantly as financial year 2019 included the full year sales of the two new retail subsidiaries. The two new retailing companies that consists of the Famous Amos Cookies in Singapore and the Komonoya brand products in Malaysia, which retail the Famous Amos Cookies in Singapore and the Komonoya brand products in Malaysia. They were acquired in September 2018 and April 2018 respectively.

Gross Profit

The Gross Profit for financial year 2019 was RM188.91 million earning a gross margin of 10.71% compared to financial year 2018 of RM167.35 million earning a gross margin of 10.13%. The Gross Profit for financial year included the full year retail gross margin of the Famous Amos Cookies and the Komonoya brand products, thereby increasing margin slightly by 0.58%.

Profit Before Taxation

Profit Before Taxation for financial year 2019 was RM34.71 million, an increase of RM3.05 million or 9.63% over financial year 2018 of RM31.66 million. This was attributed to the followings:

i) Sales of our key agency products continue to grow strongly in 2019 enabling us to hit targets and Key Performance Indicators ("KPI"), therefore qualifying for incentives from our key principals; and
ii) Provision for fair value losses on Financial Assets at Fair Value to Profit or Loss ("FVTPL") was RM1.34 million for financial year 2018 as compared to provision for fair value gain on financial assets at FVTPL of RM0.79 million for Financial Year 2019. The stock market in Malaysia declined in 2018 following the uncertainty of the Fourteenth General Election and recovered in 2019.

Administrative expenses increased from RM117.41 million in the financial year 2018 to RM131.95 million in the financial year 2019. Human resource related expenses increased due to the salary increments. Operating expenses for the financial year 2019 also included the full year operating expenses of the two retail subsidiaries which were acquired during 2018.

Other income for financial year 2019 recorded a drop of RM4.12 million compared to financial year 2018. This was because in financial year 2018, the Group reversed the provision of legal claims amounting to RM3.09 million following the Court of Appeal decision to allow Harrisons Sarawak Sdn. Bhd.'s appeal and the Federal Court dismissing the plaintiffs' appeal. Had the reversal of the legal claims not been factored in financial year 2018, Profit Before Tax of financial year 2019 would have improved significantly by RM6.14 million or 21.48% as compared to financial year 2018. Included in Other Income was also provision for fair value gains on Financial Assets at FVTPL of RM0.79 million for financial year 2019 compared to a provision for fair value loss of RM1.34 million for financial year 2018.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Profit After Taxation

Profit after tax increased from RM22.07 million in financial year 2018 to RM27.28 million in financial year 2019, reflecting an increase of 23.57% .

There is a Deferred Tax Asset adjustment of RM1.8 million being credited to taxation in financial year 2019 as the tax losses of Harrisons Marketing & Services Sdn Bhd is expected to be reversed as it is moving from losses to profitability.

Segmental information

	Trading and distribution RM'000	Retail RM'000	Others RM'000	Group RM'000	%
Geographical market					
Sabah	983,270	-	9,599	992,869	56.29
Sarawak	489,677	-	1,129	490,806	27.83
Peninsular Malaysia	244,661	7,227	1,818	253,706	14.38
Singapore	-	26,356	-	26,356	1.54
Total Revenue	1,717,608	33,583	12,546	1,763,737	100.00
Profit Before Interest and Tax	40,837	429	1,773	43,039	
Interest income	1,426	-	89	1,515	
Finance costs	(8,974)	(858)	(15)	(9,847)	
Profit from ordinary activities before taxation	33,289	(429)	1,847	34,707	

Our businesses in Sabah and Sarawak contributed about 84.12% of total revenue, which is predominantly in sales of Fast-Moving Consumer Products. The sales of Building Materials are mostly in Peninsular Malaysia which contributed close to 11.87% of total revenue. The new retailing businesses recorded a Loss Before Tax of RM429,000, which were mainly attributable to the decline in retail sales of Komonoya brand products at the retail outlets.

Group Cash Flow

The Group Cash Flow showed a positive cash flow of RM105.64 million from operations and net working capital improved for the year ended 31 December 2019 as compared to 31 December 2018 as there were less cash tied up in inventories and trade and other payables during the year ended 31 December 2019.

Group Financial Position

Trade and other Debtors increased by RM25.89 million as at 31 December 2019 due to higher sales generated during the year ended 2019. Inventories decreased by RM9.19 million at the end of the year due to better inventories management. This resulted in lower bank borrowings of RM151.78 million in financial year 2019 compared to RM205.24 million in financial year 2018, and consequently interest expense (exclude lease interest) decreasing by RM271,000 in financial year 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Strategies and Future Profit Growth

The size and strength of our distribution network comprising 27 branches, 47 warehouses and over 1,700 skilled staff that span across East and West Malaysia will enable us to sustain our future business. We will leverage on our marketing and distribution network to secure new agencies and increase geographical coverage to grow our business.

Emphasis on growth will still be in the Fast-Moving Consumer Division which currently accounts for more than 80% on revenue. Training is provided to equip our sales staff with the right knowledge, skills and confidence to market our fast-moving consumer products. We are also increasing back room processing efficiencies through the implementation of our new Enterprise Resource Planning (ERP) system in stages.

The outbreak of COVID-19 has dampened sales of our new retailing businesses, namely The Famous Amos Chocolate Chip Cookie in Singapore and Komonoya in Malaysia. We have started to restructure our retail operations. We have closed 2 Komonoya retail outlets in 2020 and will focus on wholesaling and licensing Komonoya products to other retailers. The Famous Amos Chocolate Chip Cookie will emphasize on carrying out promotions and to grow online sales through social media advertisements.

Prospects

The distribution business which we are in is expected to remain challenging in 2020. Profits are sensitive to operation cost increases as our business operates on high volume and thin margins. Rising wages, staff attrition and increase in headcounts is expected to exert pressures on profit margins.

Following uncertainties arising from the global and domestic slowdown due to the outbreak of the COVID-19, we are cautiously optimistic that the long-term business of our Fast-Moving Consumer Goods segment remains intact and stable for financial year 2020. However, we anticipate challenging and possibly negative growth for our smaller Building Materials, Industrial and Agricultural Chemicals, Retail and Shipping Agency divisions.

SUSTAINABILITY REPORT

1) Introduction

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

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

We are pleased to present our inaugural Sustainability Report for the financial year ended 31 December 2019. This Sustainability Report covers our Group's business operations in Malaysia and has been prepared in accordance with the guidelines set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") in relation to the Sustainability Statement in Annual Report of Listed Issuers ("Guidelines") issued by Bursa Malaysia Securities Berhad (Bursa Securities).

2) Corporate Profile

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

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

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

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

(a) In East Malaysia, Harrisons Sabah Sdn. Bhd. and Harrisons Sarawak Sdn. Bhd. 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 Sdn. Bhd. and Harrisons Marketing & Services Sdn. Bhd. are involved in the marketing, sales, warehousing and distribution of building materials, industrial and agricultural chemicals, and import and distribution of fine wines as well as the freight forwarding and shipping; and

(c) The newly acquired The Famous Amos Chocolate Chip Cookie Singapore Pte. Ltd. which retails and wholesale the Famous Amos Cookies in Singapore and Watts Harrisons Sdn. Bhd. which retails and wholesales the Komonoya brand products.

SUSTAINABILITY REPORT (CONTINUED)

3) Governance

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

4) Stakeholders Engagement

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

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

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

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

SUSTAINABILITY REPORT (CONTINUED)

5) Materiality Assessment

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

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

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

SUSTAINABILITY REPORT (CONTINUED)

6) Managing Sustainability

ECONOMIC

Financial Performance

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

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

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

Managing Expectations of Principals

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

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

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

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

Managing Our Customers

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

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

SUSTAINABILITY REPORT (CONTINUED)

BUSINESS COMPLIANCE

Directors' Code of Ethics

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

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

Corporate Governance

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

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

Risk Management

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

ENVIRONMENT

Environmental Laws and Regulations

In 2019, there was no incidence of non-compliance with laws and regulations resulting in significant fines or sanctions, and we endeavor to maintain this track record.

Energy Management

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

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

SUSTAINABILITY REPORT (CONTINUED)

SOCIAL

Engaging with Our Employees

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

Employee Welfare and Benefits

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

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

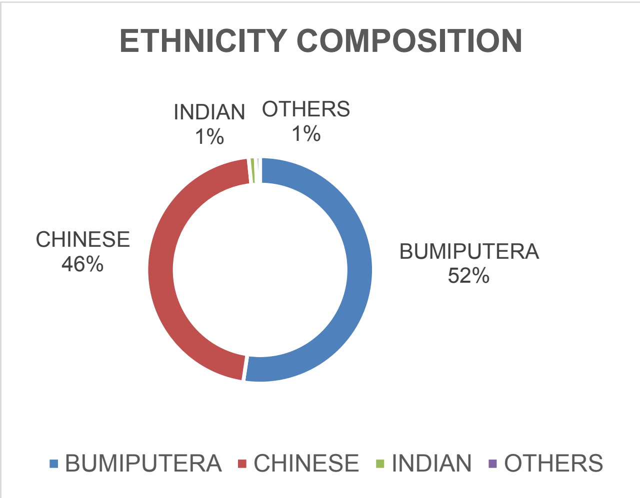
Employee wellbeing has important implications for productivity and work relationships. To promote a healthier and active lifestyle among employees, the Group supports in-house Sport Clubs which organises various sports and recreational activities on a regular basis.

Diversity and Equal Opportunity

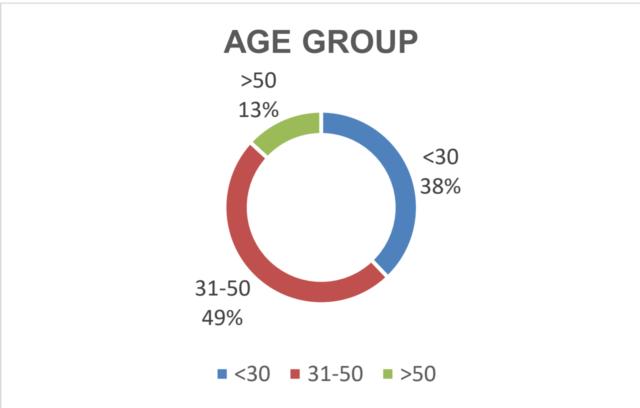
Building and retaining talent are both critical in growing the Group as the continuous growth of the Group needs talented employees. We pledge to the principle of equal opportunity in hiring, promoting and rewarding our employees. Having a diverse workforce with equal opportunity regardless of age, race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

SUSTAINABILITY REPORT (CONTINUED)

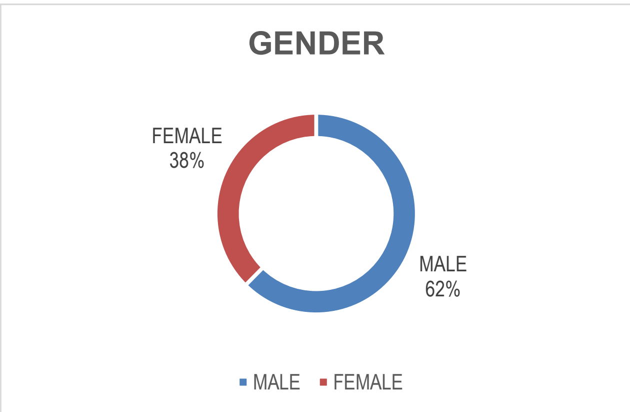
As at 31 December 2019, Harrisons employed 1,785 people. The diversity of Harrisons workforce in terms of ethnicity, age and gender as at 31 December 2019 is as follows:



Employee by Ethnicity	No.
Bumiputera	935
Chinese	821
Indian	18
Others	11
Total	**1,785**



Employee Age Composition (By Age Group, Years)	No.
<30	676
31-50	874
>50	235
Total	**1,785**



Employee by Gender	No.
Male	1,114
Female	671
Total	**1,785**

SUSTAINABILITY REPORT (CONTINUED)

Employee Training and Development

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

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

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

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

Occupational Health and Safety

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

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

We are proud to report that there have been no work place incidents for 2019.

Local Community

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

During this financial year, we have donated to non-profit organisations including but not limited to Kuching Autistic Association, Taman Didikan Kanak-Kanak Kurang Upaya and Home Tuaran Rumah Anak Yatim dan Miskin to assist these organisations in their operating expenses and running of existing programmes.

SUSTAINABILITY REPORT (CONTINUED)

Whistleblowing Policy

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

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

Moving Forward

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

The Board is pleased to provide an overview of the Group's corporate governance practices, which summarises the Group's application of the following Principles under the MCCG 2017 during the financial year ended 31 December 2019:

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

This Statement is also prepared in compliance with the MMLR and it is to be read together with the Corporate Governance Report 2019 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 responsible for the overall performance of the Group and focuses mainly on the strategic management, enhancing corporate value of the Group, performance monitoring and measurement, risk management and internal controls, standards of conduct, shareholders' communication and critical business decisions.

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

The roles and responsibilities of the Board are set out in the Board Charter which is available on Harrisons' corporate website at www.harrisons.com.my.

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

The Board Committees, comprising the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management 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 the Management. Their roles are to constructively challenge the Management and monitor the success of the Management in delivering the approved targets and business plans within the risk appetite set by the Board. They have free and open contact with the Management at all levels, and they engage with the External Auditors and Internal Auditors to address matters concerning the Management and oversight of the Group's business and operations.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

The Board is constantly mindful of the need to safeguard the interest of the Group's stakeholders and acknowledges the importance of ensuring that the Company's strategies promote sustainability. The Board regularly reviews the strategic direction of the Company and the progress of the Company's operations. The Board promotes good corporate governance in the application of sustainability practices throughout the Company, the benefits of which are believed to translate into better corporate performance. The sustainability activities demonstrating the Company's commitment to the global environmental, social, governance and sustainability agenda, can be found in the Sustainability Report on page 13 of this Annual Report.

During the financial year under review, the Board, in addition to the above matters, has reviewed policies and procedures to be in line with the Companies Act 2016, the Malaysian Code on Corporate Governance and revisions to the Main Market Listing Requirements ("MMLR") and implemented the following as part of its continuous efforts in enhancing corporate governance:-

(1) adopted a new Constitution of the Company; and
(2) amended/ updated the:-
    a. Board Charter which includes the Whistle-blower Policy, Corporate Disclosure Policy, Board Diversity Policy, and Group Remuneration Policy;
    b. Terms of Reference of Audit Committee; and
    c. Terms of Reference of Nomination Committee;
    d. Terms of Reference of Remuneration Committee
(3) revamped the Company's website into a user-friendly environment for all devices allowed the stakeholders to access latest information of the Company.

During the current financial year, the Board, in addition to the above matters, has implemented the following as part of its continuous efforts in enhancing corporate governance: -

1. Established policies and procedures on anti-corruption and bribery as guided by the "Guidelines on Adequate Procedures" issued pursuant to Section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018).
2. To review the prevailing risk management framework with a view of reflecting the rationalised strategic direction of the Group.
3. Leverage on technology to broaden its channel of dissemination of information and to enhance the quality of engagement with the shareholders.

1.2 Chairman and CEO

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

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

The role of CEO is presently assumed by Mr Chang Kon Sang who is responsible for the day-to-day management of the Group, organisational effectiveness and implementation of Board policies, strategies and decisions. The CEO together with the Management manages the business of the Group in accordance with the Board's strategic plans, instructions and directions. The role of the Management team is to support the CEO and implement the running of the general operations and business of the Group, in accordance with the delegated authority of the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

1.3 Separation of the Positions of the Chairman and CEO

The positions of the Chairman and CEO are held by two (2) different individuals. Mr Pandjijono Adijanto @ Tan Hong Phang, a Non-Independent Non-Executive Director, is the Chairman while Mr Chang Kon Sang is the CEO.

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

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

1.4 Qualified and Competent Secretaries

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

1.5 Access to Information and Advice

All Directors have unrestricted access to the Company's records and information and are furnished with quarterly financial and operational reports by Management. In addition, the Audit Committee regularly communicates with the CEO 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 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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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

The Board periodically review and update the Board Charter which sets out the roles, functions, compositions, operations and processes of the Board as well as the Code of Ethics and Conduct for Directors, to align with the MMLR, MCCG 2017 and other relevant rules and regulations.

3. Promoting Good Business Conduct and Corporate Structure

3.1 Code of Ethics and Conduct

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

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

3.2 Whistleblowing Policy

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

The whistleblowing policy is available at the Company's website at www.harrisons.com.my.

3.3 Anti-Corruption and Bribery Policy

The Board was apprised and updated on the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018) ("MACC Act 2009") especially Section 17A of the Corporate Liability Provisions. In addition to the "No Gift Policy" stipulated in the Corporate Code, the Board has appointed a consultant to review and draft an Anti-Corruption and Bribery Policy based on the Principles detailed in the Guidelines on Adequate Procedures issued pursuant to Section 17A(5) of the MACC Act 2009. The Anti-Corruption and Bribery Policy which was drafted based on the Principles detailed in the Guidelines on Adequate Procedures issued pursuant to Section 17A(5) of the MACC Act 2009 was adopted on 31 May 2020.

The Anti-Corruption and Bribery Policy is available on the Company's website at www.harrisons.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

Part II – Board Composition

4. Strengthen Board's Objectivity

4.1 Board Composition

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

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

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

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

4.2 Independent Non-Executive Director

The presence of Independent Non-Executive Directors provides a pivotal role in corporate accountability. The role of the Independent Non-Executive Directors is particularly important as they provide independent and objective views, advice and judgment and ensure strategies proposed by the CEO and Management are thoroughly discussed and evaluated, and that the long-term interests of the Group and stakeholders are considered. The Independent Non-Executive Directors do not participate in the operation of the Group in order to uphold their objectivity and fulfil their responsibility to provide check and balance to the Board. Three (3) out of the five (5) Non-Executive Directors are Independent Directors and are able to express their views without any constraint. This strengthens the Board, whereby independent views are expressed and taken into consideration before any decisions are made.

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

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 ten (10) years as Independent Directors of the Company. The Board on the review and recommendation made by the Nomination Committee is unanimous in its opinion that the three (3) Independent Directors have fulfilled the criteria under the definition of an Independent Director as set out under Paragraph 1.01 of the MMLR of Bursa Securities.

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

Thus, the Board would recommend to the shareholders for approval at the forthcoming 30th Annual General Meeting ("AGM") for Mr Foo Chow Luh, Mr Chong Chee Fire and Mr Wong Yoke Kong to continue to act as Independent Directors of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

4.4 Policy of Independent Director's Tenure

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

If the Board continues to retain the Independent Director who has served the Board for more than twelve (12) years, the Board is required to seek for shareholders' approval through a two-tier voting process to retain the said director as an Independent Director.

4.5 Diverse Board and Senior Management Team

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

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

4.6 Gender Diversity

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

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

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

4.7 Identification of New Candidates for Appointment of Directors

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

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

4.8 Nomination Committee

The Nomination Committee is established to identify, assess and recommend new nominees to the Board and evaluate annually the performance of all Board members. It assists the Board in reviewing the required mix of expertise, skills, experience, qualifications and assesses the effectiveness of the Board as a whole and the contribution of each individual Director. There were two (2) meetings held in the financial year under review.

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

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

Based on the above assessment in 2019, the Board is generally satisfied with the level of independence demonstrated by all the Independent Directors, and their ability to bring independent and objective judgment to Board deliberations.

The terms of reference of the Nomination Committee outlining the composition, proceeding of meetings, authority and duties and responsibilities was reviewed on 12 April 2019 and is available on the Company's website.

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

No.	Name of Directors	Designation
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.

For the financial year ended 31 December 2019, the Nomination Committee had conducted two (2) meetings and has discharged 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;
- Reviewed the performance of the Chief Financial Officer;
- Reviewed the Terms of Reference for the Nomination Committee;
- Evaluated training needs of Directors and noted the training programmes attended by Directors; and
- Reviewed the terms of office of the Audit Committee and each member of the Audit Committee.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

5. Overall Board Effectiveness

5.1 Annual Evaluation

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

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

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

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

5.2 Directors' Training

The Directors are aware of the time commitment expected from them to attend to matters of the Group in general, including attendance at meetings of the Board and Board Committees and other types of meeting. The Board and Board Committee meetings for each financial year are scheduled in advance for Directors to plan their schedule ahead.

The attendance record of the Directors at Board and Board Committee meetings during the financial year under review is set out as follows:-

Meeting Attendance	Board	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee
Mr Pandjijono Adijanto @ Tan Hong Phang	5/5		2/2	2/2	
Mr Chan Poh Kim [1]	3/3				
Mr Chang Kon Sang [2]	2/2				
Ms Mariana Adijanto @ Tan Phwe Leng	5/5				
Mr Wong Yoke Kong	5/5	5/5			5/5
Mr Foo Chow Luh	5/5	5/5	2/2	2/2	5/5
Mr Chong Chee Fire	5/5	5/5	2/2	2/2	5/5

Notes:
[1] Retired on 5 August 2019
[2] Appointed as Acting CEO on 5 August 2019 and redesignated as CEO on 5 February 2020

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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.

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

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

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

No.	Name of Director	Course Attended	Conducted by
1.	Mr Pandjijono Adijanto @ Tan Hong Phang	• Global Market Outlook • China/US Cold War • China New Economy • Beyond the Peaks • 2019 Market Outlook • Global Outlook • Market Insight 2019 • Market Insight • Sustainability Reporting Briefing	• UBS AG • UBS AG • UBS AG • Deutsche Bank • Julius Baer • UBS AG • Standard Chartered Private Bank • Deutsche Ban • RCA Corporate Services
2.	Mr Chang Kon Sang	• Mandatory Accreditation Programme (MAP) • Sustainability Reporting Briefing	• The Iclif Leadership and Governance Centre • RCA Corporate Services
3.	Ms Mariana Adijanto @ Tan Phwe Leng	• Investment Outlook • China's New Economy • Sustainability Reporting Briefing	• LGT Bank • LGT Bank • RCA Corporate Services
4.	Mr Foo Chow Luh	• Market Outlook 2019 Seminar • Market Outlook Seminar • Sustainability Reporting Briefing	• UOB Bank • UOB Bank • RCA Corporate Services
5.	Mr Chong Chee Fire	• 2020 Budget Seminar • Sustainability Reporting Briefing	• Malaysian Institute of Accountant • RCA Corporate Services
6.	Mr Wong Yoke Kong	• Pheim Equity Investment • Sustainability Reporting Briefing	• Pheim Asset Management Sdn. Bhd. • RCA Corporate Services

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

Part III - Remuneration

6. Level and Composition of Remuneration

6.1 Remuneration Policy

The Remuneration Committee is responsible for recommending to the Board the policy framework on the terms of employment, remuneration and bonuses or incentives of the Executive Director and Senior Management. The Remuneration of the Non-Executive Directors is decided by the Board as a whole. Individual Directors abstain from deliberations and voting on their own remuneration at the Board and Remuneration Committee meetings. There were two (2) meetings of the Committee held in the financial year 2019.

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

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

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

7. Remuneration of Directors and Senior Management

7.1 Detailed Disclosure of Directors' Remuneration

The details of the Directors' remuneration comprising remuneration received from the Company and its subsidiaries in the financial year ended 31 December 2019 are as follows:

COMPANY

	RM'000			
	Fees/ Emoluments/ Salary	**Allowances (inclusive of defined contribution plan)**	**Benefits-in-Kind**	**Total**
Executive Director				
• Chang Kon Sang [1]	**356.0**	**-**	**-**	**356.0**
• Chan Poh Kim [2]	**-**	**-**	**23.0**	**23.0**
Non-Executive Directors				
• Pandjijono Adijanto @ Tan Hong Phang	**133.0**	**2.5**	**-**	**135.5**
• Mariana Adijanto @ Tan Phwe Leng	**67.0**	**2.5**	**-**	**69.5**
• Foo Chow Luh	**76.0**	**2.5**	**-**	**78.5**
• Wong Yoke Kong	**76.0**	**2.5**	**-**	**78.5**
• Chong Chee Fire	**76.0**	**2.5**	**-**	**78.5**
Total	**784.0**	**12.5**	**23.0**	**819.5**

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

GROUP

	RM'000					
	Salary (inclusive of defined contribution plan)	**Fees**	**Bonus (inclusive of defined contribution plan)**	**Allowances**	**Benefits-In-Kind**	**Total**
Executive Director						
• Chang Kon Sang [1]	**409.0**	**-**	**409.0**	**5.0**	**18.0**	**841.0**
• Chan Poh Kim [2]	**781.0**	**-**	**722.0**	**-**	**64.0**	**1,567.0**
Non-Executive Directors						
• Pandjijono Adijanto @ Tan Hong Phang	**-**	**133.0**	**-**	**2.5**	**-**	**135.5**
• Mariana Adijanto @ Tan Phwe Leng	**-**	**67.0**	**-**	**2.5**	**-**	**69.5**
• Foo Chow Luh	**-**	**76.0**	**-**	**2.5**	**-**	**78.5**
• Wong Yoke Kong	**-**	**76.0**	**-**	**2.5**	**-**	**78.5**
• Chong Chee Fire	**-**	**76.0**	**-**	**2.5**	**-**	**78.5**
Total	**1,190.0**	**428.0**	**1,131.0**	**17.5**	**82.0**	**2,848.5**

Notes:
[1] Appointed as Acting CEO on 5 August 2019 and redesignated as CEO on 5 February 2020
[2] Retired on 5 August 2019

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

Remuneration Range (RM)	**Number of Directors**
Executive Directors	
Between 800,001 - 850,000	1
1,550,001 - 1,600,000	1 (retired)
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 6 Senior Management staff and 5 Non-Executive Directors of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries) during the FYE 2019 are categorized as follows :

Key Management Personnel	Group (RM'000)	Company (RM'000)
Salaries and bonuses [1] Benefits-in-kind [2]	5,016 156	796 40
Total	5,172	836

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

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

Remuneration Range (RM)	Number of Senior Management staff
Between 350,001 to 400,000	1
Between 400,001 to 450,000	1
Between 650,001 to 750,000	1
Between 800,001 to 850,000	1
Between 850,001 to 900,000	1
Between 1,550,001 to 1,600,000	1 (retired)

Due to confidentiality and sensitivity of the remuneration packages of Senior Management as well as security concerns, the Board views that the disclosure of the remuneration of Senior Management on named basis would be not in the best interest of the Group given the competitive human resources environment may give rise to recruitment and talent retention issues.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

Principle B: Effective Audit and Risk Management

Part I – Audit Committee

8. Audit Committee

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

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

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

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

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

Based on the Audit Committee's assessment, the Board was satisfied with the independence, quality of service and adequacy of resources provided by the External Auditors in carrying out the annual audit for year 2019. In view thereof, the Audit Committee recommended the re-appointment of Messrs. PricewaterhouseCoopers PLT to the Board, upon which the shareholders' approval will be sought at the forthcoming AGM.

The Board has private sessions and dialogues through the Audit Committee with the External Auditors, in the absence of the Executive Directors and Management. For the year under review, there was one (1) private session 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.

The composition of membership and the terms of reference of the Audit Committee and other pertinent information about the Audit Committee and its activities are highlighted in the Audit Committee Report set out on pages 43 to 45 of the Annual Report.

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 through the Risk Management Committee, which was formed in 2018. The Risk Management Committee 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 faced by the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

The terms of reference of the Risk Management Committee is available for viewing at the corporate website at www.harrisons.com.my. The Risk Management Committee is governed by the terms of reference which outlines its scope, duties and responsibilities. The membership of the Risk Management Committee is stated in the Corporate Information of this Annual Report.

During the financial year ended 31 December 2019, five (5) Risk Management Committee meetings were held. The activities carried out by the Risk Management Committee were as follows:

1. Reviewed the identified key risks and the controls in place to mitigate the risks; and
2. Reviewed and discussed the Risk Assessment and Assurances Reports of the Company and its subsidiaries.

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.

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

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

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

Part I – Communication with Stakeholders

11. Continuous Communication Between Company and Stakeholders

The Board recognizes the importance of being transparent and accountable to the Company's stakeholders and as such has various channels to maintain communication with them. The annual report, quarterly announcements on financial results, relevant announcements on the Group's business and activities, as well as the Company's website are the primary mode of communication to all its stakeholders.

The Company is committed to upholding high standards of transparency and promotion of investor confidence through the provision of comprehensive, accurate and quality information on a timely and even basis.

The Company recognises the importance of communicating with its shareholders and does this through the Annual Report, AGM and announcements via Bursa Securities. During the AGM, sufficient time will be allocated for shareholders to ask questions about the Group and its operations.

The Company's website, www.harrisons.com.my is established for the shareholders and stakeholders to access information regarding the Group. Information on the website includes amongst others the Group's corporate structure, main business activities and announcements to Bursa Securities.

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 the shareholders with comprehensive timely information about the Group's activities and performance to enable investors to 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 30th AGM to be held on 29 July 2020 are to be voted by way of poll voting.

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

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

Compliance Statement

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

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

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

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

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 14 May 2020.

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 2019 are as follows:-

Details of Audit Fees	**Group (RM'000)**	**Company (RM'000)**
- Statutory Audit Fees	723	180
- Audit Related Fees	42	10
Total	**765**	**190**

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

   There were no material contracts entered into by the Company and its subsidiaries which involved the interest of Directors or Chief Executive who is not a Director or Major Shareholders subsisting at the end of the financial year ended 31 December 2019.

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITY

IN RESPECT OF THE PREPARATION OF THE AUDITED FINANCIAL STATEMENTS

The Directors are responsible to prepare the Audited Financial Statements which will give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results of the Group and of the Company for the financial year then ended 31 December 2019.

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

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Paragraph 15.26(b) of the MMLR and Practices 9.1 and 9.2 of the MCCG 2017 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 2019.

BOARD RESPONSIBILITY

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

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

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

The Board has appointed a consultant to assess and draft a Policy and Procedures on Anti-Corruption Compliance required under Section 17A of the Malaysian Anti-Corruption Commission Act 2009.

RISK MANAGEMENT PROCESS

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

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

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

The main operating subsidiaries' reports are submitted quarterly and reviewed by the CEO and Chief Financial Officer ("CFO") and the significant risk, any changes and mitigation plans are highlighted and discussed at the Risk Management, Audit Committee and Board meetings.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

The Enterprise Risk Management process comprises:

(1) Risk Identification

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

(2) Risk Evaluation

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

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

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 Risk Management 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 (2) 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 (2) 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 and enable corrective actions to be taken to improve the achievement towards the budgeted results and eventually the Group's business objectives as a whole.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

- Financial Reporting Timeline

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

INTERNAL AUDIT

The in-house Internal Audit function supports the Risk Management and Audit Committee and by extension, the Board, by providing reasonable independent appraisal of the adequacy and effectiveness of the internal control systems. The Internal Audit team concurrently plays a proactive role in facilitating operating companies in assessing their principal business risks and plans of actions to address these risks.

The Internal Auditor's role is to provide independent and objective reports on the Group Management's records, accounting policies and internal controls to Management, Risk Management Committee, Audit Committee and the Board. Upon completion of each audit, an internal audit report shall be generated and recommendations on weaknesses made are presented in the Risk Management Committee or 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 THE EXTERNAL AUDITORS

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

BOARD ASSESSMENT

The Board is of the view that the Group's overall Risk Management and Internal Control Systems is operating adequately and effectively and has received the same assurances from the managing director of the main subsidiaries, the CEO and CFO. 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 the Audit Committee and approved by the Board on 14 May 2020.

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 2019.

A. COMPOSITION OF THE AUDIT COMMITTEE

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

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

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

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

B. MEETINGS

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

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

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

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

Financial Reporting

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

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

REPORT OF THE AUDIT COMMITTEE (CONTINUED)

External Audit

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

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

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

During the financial year, the Audit Committee will meet with the External Auditors without the presence of any Executive Directors and the Management.

Internal Audit

The Audit Committee has reviewed with the Internal Auditors the internal audit reports and monitored/ followed-up on the remedial action; reviewed the corrective actions taken by the 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 Internal Audit function.

Related Party Transactions

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

Others

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

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

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

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

REPORT OF THE AUDIT COMMITTEE (CONTINUED)

D. INTERNAL AUDIT FUNCTION

Internal audit function is undertaken by Internal Audit Department. Each year internal audit plan is created from assessing the organisation's risk, its impact and risk classification. The internal audit plan is reviewed and approved by the Audit Committee.

The audit plan covers review of adequacy of operational controls, risk management compliance with laws and regulations, quality of assets and management efficiency amongst others.

A summary of the works carried out by the Internal Auditors for the financial year are as follows:

1. Reviewed the efficacy of risk management efforts as provided in risk management and assurance report submitted quarterly to Risk Management Committee. The works has ascertained significant risks are identified, assessed and managed with effective control activities and periodically monitored with timely responsive actions to change condition;

2. Audit coverage comprised of building material division, wine distribution business and sales and distribution of fast-moving consumer goods in West Malaysia;

3. Conducted quarterly follow up review on two branches to ascertain:

   - good stock management, this helps prevent shortage and allows adequate stocks without having a surplus of stocks in warehouse, well control to reduce physical variance; and
   - adherence to sales control and credit control, adopted effective collection procedures to improve days sales outstanding and reduce past due debts.

4. Audited the internal control system of three branches in the building material division, checking that controls are implemented to reduce risks, waste and enhance operation safety and health of workforce. The audits are planned to check the company's compliance with laws and regulations, if its businesses are conducted efficiently, if it protects its resources against loss due to mismanagement and whether the financial data can be relied upon; and

5. Involvement in number of key user training and user acceptance testing during the pre-implementation stages for the change to a new Enterprise Resource Planning system, of which is expected to enhance efficiency of business processes and managing business more cost effectively.

The cost incurred by the Internal Audit Department for the financial year is about RM610,000.

DIRECTORS' REPORT

The Directors are pleased to submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

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	
Mariana Adijanto @ Tan Phwe Leng	
Wong Yoke Kong	
Foo Chow Luh	
Chong Chee Fire	
Chang Kon Sang	(Appointed on 5 August 2019)
Chan Poh Kim	(Resigned on 5 August 2019)

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group consist of marketing, sales and distribution of building materials, industrial and agricultural chemical products, liquor products, consumer goods, engineering and the operation of retail, shipping, insurance and travel agencies. Details of the principal activities of the subsidiaries are shown in Note 19 to the financial statements.

There have been no significant changes 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	27,275	13,658

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any shares or debentures for the financial year ended 31 December 2019.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

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

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

DIVIDEND

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

	RM'000
In respect of the financial year ended 31 December 2018, final single tier dividend of RM0.20 per ordinary share paid on 12 July 2019	13,695

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 2019, subject to the approval of the members at the forthcoming Annual General meeting of the Company.

DIRECTORS' INTERESTS

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

	Number of ordinary shares in the Company			
	At 1.1.2019	Acquired	Disposed	At 31.12.2019
Pandjijono Adijanto @ Tan Hong Phang	89,000	-	-	89,000
Mariana Adijanto @ Tan Phwe Leng	9,000	-	-	9,000
Wong Yoke Kong	169,000	-	-	169,000
Foo Chow Luh	154,000	-	-	154,000
Chong Chee Fire	150,000	-	-	150,000

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' REMUNERATION

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

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains a liability insurance for the Directors and Officers of the Group throughout the financial year, which provides appropriate insurance cover for the Directors and Officers of the Group. The total amount of any indemnity cover given by the Company to Directors against damages in the discharge of their duties is RM7.5 million collectively for all Directors. The amount of premium paid by the Company for all the Directors is RM80,750 in 2019.

DIRECTORS OF THE SUBSIDIARIES

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

Ang Lian Wal	Lim Hong Chin	
Bay Boon Hong	Lim Yong Keong	
Chan Jun Hao, David	Low Kong Choon	
Chan Poh Kim	Lo Chow Nyian	
Chang Kon Sang	Spencer Ho Kwang Beng	
Danny Lo Tuong Ming	Tee Chee Chiang	
Frederick Kong Fui Min	Shaik Esa Bin Taha Mattar	(Resigned on 31 December 2019)
Ho Gee Leng		

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) except as disclosed in Note 33 to the financial statements, 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 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 19 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.

This report was approved by the Board of Directors on 14 May 2020. Signed on behalf of the Board of Directors:

FOO CHOW LUH DIRECTOR	WONG YOKE KONG DIRECTOR

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

We, Foo Chow Luh 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 51 to 129 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 2019 and the financial performance of the Group and of the Company for the financial year ended 31 December 2019 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 14 May 2020.

FOO CHOW LUH DIRECTOR	WONG YOKE KONG DIRECTOR

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

I, Low Kong Choon (MIA No. 6635), being the Officer primarily responsible for the financial management of Harrisons Holdings (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 51 to 129 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 14 May 2020, before me.

GURDEEP SINGH A/L JAG SINGH
COMMISSIONER FOR OATHS
W607

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	6	**1,763,737**	1,651,428	**17,050**	17,476
Cost of sales		**(1,574,825)**	(1,484,083)	**-**	-
Gross profit		**188,912**	167,345	**17,050**	17,476
Other operating income		**4,878**	9,001	**1,555**	706
Selling and distribution costs		**(16,396)**	(17,639)	**-**	-
Administrative expenses		**(131,950)**	(117,413)	**(3,181)**	(3,028)
Other operating expenses		**(890)**	(2,616)	**(1,618)**	(1,491)
Finance costs	7	**(9,847)**	(7,021)	**(4)**	-
Profit before taxation	8	**34,707**	31,657	**13,802**	13,663
Taxation	10	**(7,432)**	(9,584)	**(144)**	(201)
Profit for the financial year		**27,275**	22,073	**13,658**	13,462
Other comprehensive income/(loss):					
Items that will not be reclassified to profit or loss					
Change in fair value of financial assets at FVOCI		**185**	(892)	**196**	(804)
Transfer of fair value reserve on disposal of financial assets at FVOCI		**292**	188	**289**	188
		477	(704)	**485**	(616)
Item that may be reclassified to profit or loss					
Currency translation differences		**26**	113	**-**	-
Total comprehensive income for the financial year		**27,778**	21,482	**14,143**	12,846
Profit attributable to:					
- Owners of the Company		**26,841**	21,775	**13,658**	13,462
- Non-controlling interests		**434**	298	**-**	-
		27,275	22,073	**13,658**	13,462
Total comprehensive income attributable to:					
- Owners of the Company		**27,333**	21,133	**14,143**	12,846
- Non-controlling interests		**445**	349	**-**	-
		27,778	21,482	**14,143**	12,846
Earnings per share (sen)					
- Basic and diluted	11	**39.20**	31.80		

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		Group		Company	
	Note	**2019**	2018	**2019**	2018
		RM'000	RM'000	**RM'000**	RM'000
			Restated		
NON-CURRENT ASSETS					
Property, plant and equipment	13	**37,527**	48,682	**1,053**	823
Right-of-use assets	14	**78,046**	-	**48**	-
Investment properties	15	**1,776**	1,812	**-**	-
Deferred tax assets	16	**7,567**	5,162	**50**	50
Financial assets at FVOCI	17	**2,447**	3,974	**2,215**	3,746
Subsidiaries	19	**-**	-	**57,597**	57,597
Intangible asset	19(b)	**7,882**	7,882	**-**	-
		135,245	67,512	**60,963**	62,216
CURRENT ASSETS					
Financial assets at FVTPL	18	**25,444**	22,737	**24,997**	22,552
Inventories	21	**212,226**	221,419	**-**	-
Trade and other receivables	22	**339,653**	313,759	**9,717**	9,493
Tax recoverable		**1,953**	4,448	**48**	90
Deposits, cash and bank balances	23	**92,586**	86,749	**18,532**	19,153
		671,862	649,112	**53,294**	51,288
CURRENT LIABILITIES					
Trade and other payables	24	**256,544**	192,349	**1,010**	753
Tax payable		**952**	712	**-**	-
Borrowings	25	**151,781**	205,240	**-**	-
Lease liabilities	26	**13,302**	-	**40**	-
		422,579	398,301	**1,050**	753
NET CURRENT ASSETS		**249,283**	250,811	**52,244**	50,535
NON-CURRENT LIABILITIES					
Deferred tax liabilities	16	**2,483**	2,483	**-**	-
Lease liabilities	26	**55,498**	-	**10**	-
		57,981	2,483	**10**	-
		326,547	315,840	**113,197**	112,751

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 (CONTINUED)

	Note	Group 2019 RM'000	Group 2018 RM'000 Restated	Company 2019 RM'000	Company 2018 RM'000
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	27	**68,523**	68,523	**68,523**	68,523
Treasury shares	27	**(18)**	(18)	**(18)**	(18)
Other reserves		**1,060**	568	**988**	503
Retained earnings		**248,237**	238,467	**43,704**	43,743
		317,802	307,540	**113,197**	112,751
Non-controlling interests		**8,745**	8,300	**-**	-
		326,547	315,840	**113,197**	112,751

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Attributable to equity holders of the Company							
Group	Note	Share capital RM'000	Treasury shares RM'000	Currency translation difference RM'000	FVOCI reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total RM'000
At 1 January 2019, as previously stated		68,523	(18)	62	506	238,467	307,540	5,317	312,857
Adjustment arising from the completion of the PPA exercise	19	-	-	-	-	-	-	2,983	2,983
At 1 January 2019, as restated		68,523	(18)	62	506	238,467	307,540	8,300	315,840
Effects of adoption of MFRS 16	2(a)	-	-	-	-	(3,376)	(3,376)	-	(3,376)
At 1 January 2019, as restated		68,523	(18)	62	506	235,091	304,164	8,300	312,464
Profit for the financial year		-	-	-	-	26,841	26,841	434	27,275
Other comprehensive income:									
- Fair value changes of financial assets at FVOCI		-	-	-	477	-	477	-	477
- Currency translation differences		-	-	15	-	-	15	11	26
Total comprehensive income for the financial year		-	-	15	477	26,841	27,333	445	27,778
Transaction with owners:									
- Dividends	12	-	-	-	-	(13,695)	(13,695)	-	(13,695)
At 31 December 2019		68,523	(18)	77	983	248,237	317,802	8,745	326,547

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

		Attributable to equity holders of the Company							
Group	Note	Share capital RM'000	Treasury shares RM'000	Currency translation difference RM'000	FVOCI reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total RM'000
At 1 January 2018		68,523	(18)	-	1,210	230,387	300,102	-	300,102
Profit for the financial year		-	-	-	-	21,775	21,775	298	22,073
Other comprehensive (loss)/income:									
- Fair value changes of financial assets at FVOCI		-	-	-	(704)	-	(704)	-	(704)
- Currency translation differences		-	-	62	-	-	62	51	113
Total comprehensive income for the financial year		-	-	62	(704)	21,775	21,133	349	21,482
Transactions with owners:									
- Dividends	12	-	-	-	-	(13,695)	(13,695)	-	(13,695)
- Non-controlling interest from acquisition and incorporation of subsidiaries	19	-	-	-	-	-	-	7,951	7,951
At 31 December 2018		68,523	(18)	62	506	238,467	307,540	8,300	315,840

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

Company	Note	Share capital RM'000	Treasury shares RM'000	FVOCI reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2019		68,523	(18)	503	43,743	112,751
Effects of adoption of MFRS 16	2(a)	-	-	-	(2)	(2)
At 1 January 2019, restated		68,523	(18)	503	43,741	112,749
Profit for the financial year		-	-	-	13,658	13,658
Other comprehensive income: - Fair value changes of financial assets at FVOCI		-	-	485	-	485
Total comprehensive income for the financial year		-	-	485	13,658	14,143
Transaction with owners: - Dividends	12	-	-	-	(13,695)	(13,695)
At 31 December 2019		68,523	(18)	988	43,704	113,197

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

Company	Note	Share capital RM'000	Treasury shares RM'000	FVOCI reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2018		68,523	(18)	1,119	43,976	113,600
Profit for the financial year		-	-	-	13,462	13,462
Other comprehensive loss - Fair value changes of financial assets at FVOCI		-	-	(616)	-	(616)
Total comprehensive income for the financial year		-	-	(616)	13,462	12,846
Transaction with owners: - Dividends	12	-	-	-	(13,695)	(13,695)
At 31 December 2018		68,523	(18)	503	43,743	112,751

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the financial year		**27,275**	22,073	**13,658**	13,462
Adjustments for non-cash items:					
Allowance for/(Reversal of) loss allowance:					
- trade and other receivables		**737**	(1,040)	**-**	-
- amount due from a subsidiary		**-**	-	**1,289**	-
- amount due from an associate		**119**	34	**-**	-
Provision for obsolescence of inventories		**591**	348	**-**	-
Inventories written off		**4,425**	3,029	**-**	-
Property, plant and equipment:					
- depreciation		**5,570**	4,928	**609**	516
- gain on disposal		**(109)**	(195)	**(95)**	-
- written off		**448**	47	**-**	-
Depreciation of investment properties		**36**	35	**-**	-
Depreciation of right-of-use assets		**17,076**	-	**38**	-
Negative goodwill from acquisition of a subsidiary	19	**-**	(680)	**-**	-
Loss/(Gain) on disposal of financial assets:					
- financial assets at FVOCI		**292**	188	**289**	188
- financial assets at FVTPL		**-**	(12)	**-**	(14)
Fair value gain/(loss) on financial assets at FVTPL		**(790)**	1,337	**(785)**	1,325
Unrealised foreign exchange gain		**(387)**	(31)	**(86)**	(31)
Dividend income (gross)		**(1,212)**	(1,205)	**(17,050)**	(17,476)
Interest income (gross)		**(1,515)**	(1,421)	**(467)**	(557)
Finance costs	7	**9,847**	7,021	**4**	-
Tax expense		**7,432**	9,584	**144**	201
Reversal of legal claim		**-**	(3,088)	**-**	-
		69,835	40,952	**(2,452)**	(2,386)
Working capital changes:					
Inventories		**4,177**	(42,970)	**-**	-
Trade and other receivables		**(26,750)**	(7,855)	**(1,427)**	610
Trade and other payables		**63,964**	19,376	**256**	62
		111,226	9,503	**(3,623)**	(1,714)
Tax paid		**(7,102)**	(7,635)	**(102)**	(166)
Interest received		**1,515**	1,421	**467**	113
Net cash generated from/(used in) operating activities		**105,639**	3,289	**(3,258)**	(1,767)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(8,143)**	(4,953)	**(847)**	-
Proceeds from disposal of property, plant and equipment		**182**	320	**103**	-
Dividends received		**1,212**	1,205	**1,150**	976
Proceeds from sale of					
- financial assets at FVOCI		**1,835**	2,115	**1,835**	2,115
- financial assets at FVTPL		**26,352**	14,219	**17,455**	42
Purchase of financial assets at FVOCI		**(99)**	(1,537)	**(99)**	(1,537)
Purchase of financial assets at FVTPL		**(28,293)**	(15,771)	**(19,124)**	(1,661)
Dividends received from subsidiaries		**-**	-	**15,900**	16,500
Acquisition of subsidiaries	19	**-**	(8,245)	**-**	-
Net cash (used in)/generated from investing activities		**(6,954)**	(12,647)	**16,373**	16,435
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		**(9,847)**	(7,021)	**(4)**	-
Drawdown of bankers' acceptances		**1,430,139**	1,741,193	**-**	-
Repayment of bankers' acceptances		**(1,476,996)**	(1,723,891)	**-**	-
Drawdown of revolving credit		**17,000**	39,660	**-**	-
Repayment of revolving credit		**(23,440)**	(35,500)	**-**	-
Dividends paid		**(13,695)**	(13,695)	**(13,695)**	(13,695)
Capital contribution by non-controlling interests		**-**	4,531	**-**	-
Lease payments – principal portion		**(15,873)**	-	**(37)**	-
Net cash (used in)/generated from financing activities		**(92,712)**	5,277	**(13,736)**	(13,695)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		**5,973**	(4,081)	**(621)**	973
TRANSLATION RESERVES		**26**	113	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**86,353**	90,321	**19,153**	18,180
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	23	**92,352**	86,353	**18,532**	19,153

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

Note:

(i) The acquisition of right-of-use ("ROU") assets during the financial year of RM12,511,000 is a non-cash transaction.

(ii) The reconciliation of liabilities arising from financing activities is as follows:

				Non-cash changes		
	At 1.1.2019 RM'000	Cash inflow RM'000	Cash outflow (including Interest) RM'000	Interest accretion RM'000	New lease RM'000	At 31.12.2019 RM'000
Group						
Banker's acceptance	195,184	1,430,139	(1,482,932)	5,936	-	148,327
Revolving credit	9,660	17,000	(24,116)	676	-	3,220
Lease liabilities	72,253*	-	(18,970)	3,097	12,420	68,800

				Non-cash changes		
	At 1.1.2018 RM'000	Cash inflow RM'000	Cash outflow (including Interest) RM'000	Interest accretion RM'000	New lease RM'000	At 31.12.2018 RM'000
Group						
Banker's acceptance	177,882	1,741,193	(1,730,522)	6,631	-	195,184
Revolving credit	5,500	39,660	(35,787)	287	-	9,660

				Non-cash changes		
	At 1.1.2019 RM'000	Cash inflow RM'000	Cash outflow (including Interest) RM'000	Interest accretion RM'000	New lease RM'000	At 31.12.2019 RM'000
Company						
Lease liabilities	87*	-	(41)	4	-	50

** Balance as at 1 January 2019, upon adoption of MFRS 16 (refer to Note 2(a)).*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the Group consist of marketing, sales and distribution of building materials, industrial and agricultural chemical products, liquor products, consumer goods, engineering and the operation of retail, shipping, insurance and travel agencies. Details of the principal activities of the subsidiaries are shown in Note 19 to the financial statements.

There have been no significant changes 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 below.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

The Group and the Company have applied the following standards, amendments and interpretations to the existing standards for the first time for the financial year beginning on 1 January 2019:

- MFRS 16 “Leases”
- Amendments to MFRS 9 “Prepayment Features with Negative Compensation”
- Amendments to MFRS 128 “Long-term Interests in Associates and Joint Ventures”
- IC Interpretation 23 “Uncertainty over Income Tax Treatments”
- Annual Improvements to MFRSs 2015 – 2017 Cycle

Other than the effects arising from the adoption of MFRS 16 as set out below, the adoption of other amendments and interpretation listed above did not have any impact on the current period or any prior period and is not likely to affect the future periods.

Changes in accounting policies upon adoption of MFRS 16

During the financial year, the Group and the Company changed its accounting policies on leases upon adoption of MFRS 16. The Group and the Company have elected to use the simplified retrospective transition method and to apply a number of practical expedients as provided in MFRS 16.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group and the Company are a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 “Leases” and IC Int. 4 “Determining whether an Arrangement Contains a Lease”.

(i) Leases classified as operating leases under MFRS 117

On adoption of MFRS 16, the Group and the Company recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

The associated right-of-use (“ROU”) assets for leases were measured on a retrospective basis as if the new requirements have always been applied.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

Changes in accounting policies upon adoption of MFRS 16 (continued)

(i) Leases classified as operating leases under MFRS 117 (continued)

In applying MFRS 16 for the first time, the Group and the Company have applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

In addition, the Group and the Company have elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group and the Company relied on its assessment made applying MFRS 117 and IC Int. 4.

(ii) Adjustments recognised in the statements of position on 1 January 2019

The change in accounting policy affected the following items in the statements of financial position on 1 January 2019:

Group
- Property, plant and equipment – decrease by RM13,207,000
- Right-of-use assets – increase by RM82,611,000
- Lease liabilities – increase by RM72,253,000
- Provisions – increase by RM527,000

The net impact on retained earnings on 1 January 2019 was a decrease of RM3,376,000.

Company
- Right-of-use assets – increase by RM86,000
- Lease liabilities – increase by RM87,000
- Provisions – increase by RM1,000

The net impact on retained earnings on 1 January 2019 was a decrease of RM2,000.

(iii) Measurement of lease liabilities on 1 January 2019

The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.85% per annum.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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

Changes in accounting policies upon adoption of MFRS 16 (continued)

(iii) Measurement of lease liabilities on 1 January 2019 (continued)

The reconciliation between the operating lease commitments disclosed under MFRS 117 at 31 December 2018 to the lease liabilities recognised under at 1 January 2019 is as follows:

Group

	Group RM'000	Company RM'000
Operating lease commitments disclosed as at 31 December 2018	50,201	-
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(2,889)	-
Add/(Less):		
Adjustments as a result of a different treatment of extension and termination options	24,941	87
Lease liabilities recognised as at 1 January 2019	72,253	87
Analysed as follows:		
Current lease liabilities	14,574	40
Non-current lease liabilities	57,679	47
	72,253	87

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of MFRS 16.

(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 the financial year beginning after 1 January 2019. 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:

Effective for annual periods beginning on or after 1 January 2020

- The Conceptual Framework for Financial Reporting: The Reporting Entity and corresponding amendments to references in the relevant standards
- Amendments to MFRS 101 and MFRS 108 "Definition of Material"
- Amendments to MFRS 3 "Definition of a Business"

The effects of the above new standards and amendments to the existing standards are currently being assessed by the Directors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Consolidation

Subsidiaries

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

Subsidiaries (continued)

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

Change in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

Associates (continued)

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

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

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

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

(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.

(c) Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

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

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

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

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

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

Depreciation of assets under construction commences when the assets are ready for their intended use.

Accounting policies applied from 1 January 2019

From 1 January 2019, leasehold land is presented as a separate line item in the statements of financial position. See accounting policy Note 3(j) on right-of-use assets for these assets.

Accounting policies applied until 31 December 2018

Until 31 December 2018, leasehold land under lease arrangement classified as finance lease (refer to accounting policy Note 3(j) on finance leases applied until 31 December 2018) 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(f)(i) on impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment properties

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

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

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

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

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

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

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

(e) Intangible asset

Franchise right

Franchise right acquired in a business combination is recognised at fair value at acquisition date. Franchise right is not amortised but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. The carrying amount of the franchise right is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of assets

(i) Non-financial assets

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

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

(ii) Impairment for debts instruments

The Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of assets (continued)

(ii) Impairment for debts instruments (continued)

Simplified approach for trade receivables

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Note 31(iv)(b) sets out the measurement details of ECL.

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

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 months ECL if the credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is not required. Note 31(iv)(b) sets out the measurement details of ECL.

(iii) Significant increase in credit risk

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

The following indicators are incorporated:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of assets (continued)

(iv) Definition of default and credit impaired financial assets

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

<u>Qualitative criteria:</u>

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

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

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

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

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

(i) Collective assessment

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

(ii) Individual assessment

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

(vi) Write-off

(i) Trade receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of assets (continued)

(vi) Write-off (continued)

(ii) Other receivables and amounts due from subsidiaries

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

(g) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

Debt instruments

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets (continued)

(iii) Measurement (continued)

Debt instruments (continued)

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

(a) Amortised cost

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

(b) Fair value through profit or loss ("FVTPL")

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

Equity instruments

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

(h) Offsetting financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial guarantee contracts

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

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

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

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

(j) Leases – Accounting by lessee

Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognised as right-of-use (“ROU”) asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leases – Accounting by lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

ROU assets (continued)

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

The Group presents ROU assets as a separate line in the statements of financial position.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. 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 Group presents the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss in the statement of comprehensive income.

Reassessment of lease liabilities

The Group is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate takes effect, the lease liability is remeasured and adjusted against the ROU assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leases – Accounting by lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment, such as photocopy machine. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Accounting policies on lessee accounting applied until 31 December 2018

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.

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.

(k) Leases – Accounting by lessor

Accounting policies applied from 1 January 2019

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(i) Operating leases

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

(ii) Sublease classification

Until the financial year ended 31 December 2018, when the Group was an intermediate lessor, the subleases were classified as finance or operating leases by reference to the underlying assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leases – Accounting by lessor (continued)

Accounting policies applied from 1 January 2019 (continued)

(ii) Sublease classification (continued)

From 1 January 2019, when the Group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(l) 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. The costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

(m) Trade and other receivables

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

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

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

(n) Cash and cash equivalents

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Share capital

(i) Classification

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

(ii) Dividend distribution

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

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

(iii) Purchase of own shares

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

(iv) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

Diluted earnings per share

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Trade payables

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

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

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

(q) Borrowings

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Current and deferred income tax

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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.

(t) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) 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.

(v) Revenue from contracts with customers

(i) Sale of goods

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

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

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

(ii) Rendering of services

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue from other sources

(i) Interest income

Interest income is recognised using the effective interest method.

Interest income from financial assets at FVTPL is recognised as part of net gains or net losses on these financial instruments. Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the statements of comprehensive income as part of other operating income.

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

(ii) Dividend income

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

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

Dividends that clearly represents a recovery of part of the cost of an investment is recognised in OCI if it relates to an investment in equity instruments measured at FVOCI.

(x) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Foreign currencies (continued)

(ii) Transactions and balances (continued)

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Foreign currencies (continued)

(iii) Group companies (continued)

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(y) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Managing Director that makes strategic decisions.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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 2019 (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, taking into consideration of factors giving rise to slow moving items, damage stocks and obsolescence. The provision for obsolescence of inventories computed by management is based on percentages applied on the inventories' ageing band and the category of inventories. These rates require significant judgement. The provision for obsolescence of inventories as at the reporting date is as follows:

	Group	
	2019	2018
	RM'000	RM'000
Provision for obsolescence of inventories	**9,405**	8,814

(c) Loss allowance for trade receivables

The loss allowance for trade receivables is assessed based on the expected loss rates. Significant judgement and estimates are required in determining the loss rates to be applied to each ageing band of the trade receivables. Details of the key assumptions and inputs used are disclosed in Note 31(iv)(b).

	Group	
	2019	2018
	RM'000	RM'000
Accumulated impairment of trade receivables	**39,941**	39,204

(d) Leases

Liabilities and the corresponding ROU assets arising from leases are initially measured at the present value of the lease payments at the commencement date, discounted using the interest rates implicit in the leases, or if that rate cannot be readily determinable, the Group may use the incremental borrowing rate. In this instance, the Group has determined the incremental borrowing rate as the discount rate with reference to the rate of interest that the Group would have to pay to borrow, over similar terms as that of the lease, the funds necessary to obtain an asset of a similar value to the ROU assets.

Lease payments to be made during the lease term will be included in the measurement of a lease liability. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any period covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Leases (continued)

The Group has the option, under some of the leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. In this regard, the Group considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew. The assessment of whether the Group is reasonably certain to exercise the options impacts the lease terms, which significantly affects the amount of lease liabilities and ROU assets recognised.

Extension options are included in all leases of office buildings and warehouses across the Group. The Directors are responsible for managing the leases and accordingly, lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Extension options are included when the Directors are reasonably certain to exercise an optional extended lease term and therefore, payments associated with the optional period are included within these lease liabilities.

5. SEGMENT REPORTING

The Group operates primarily within Malaysia for its trade and distribution business which is the major contributor to the Group's operations. It comprises trading and distribution of consumer products, building materials, industrial and agricultural chemical products and liquor products. These activities are covered by several companies in Sabah, Sarawak and Peninsular Malaysia which are operating segments, and have been aggregated into the Trading and Distribution segment as they exhibit similar nature of business and methods of distribution of products.

With effect from the prior financial year, the retail business is shown as a separate reportable segment following the acquisition of Watts Harrisons Sdn. Bhd. in Peninsular Malaysia and Famous Amos Chocolate Chip Cookie Singapore Pte. Ltd. in Singapore. Both entities are principally involved in the retailing of household and consumer goods.

Other than the above, the Group provides engineering, insurance, shipping, travel agency services and rental of property, none of which is of a sufficient size to be reported separately.

The chief operating decision-maker evaluates performance of segments by reviewing revenue, profit before tax and monthly internal management reports in order to allocate resources to segments.

Intersegment revenue comprises dividend income, rental received from the letting out of properties and management services rendered to other business segments within the Group.

Segment results represent segment revenue less segment expenses. Unallocated costs represent interest income and finance cost.

Segment assets consist primarily of property, plant and equipment, inventories, operating receivables, short term and other investments and cash and bank balances. Segment liabilities comprise mainly of payables and other operating liabilities. Unallocated assets consist of tax assets and deferred tax assets. Unallocated liabilities consist of tax liabilities and deferred tax liabilities.

Capital expenditure comprises additions to property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

5. SEGMENT REPORTING (CONTINUED)

	Trade And distribution RM'000	Retail RM'000	Shipping and others RM'000	Group RM'000
2019				
Revenue				
Total segment revenue	1,717,888	34,145	33,662	1,785,695
Inter segment revenue	(280)	(562)	(21,116)	(21,958)
External revenue	1,717,608	33,583	12,546	1,763,737
Results				
Segment results (external)	40,837	429	1,773	43,039
Interest income				1,515
Finance costs				(9,847)
Profit from ordinary activities before tax				34,707
Taxation				(7,432)
Profit from ordinary activities after tax				27,275
Capital employed				
Segment assets	708,179	31,443	57,965	797,587
Unallocated assets				9,520
Total assets				807,107
Segment liabilities	454,192	20,469	2,464	477,125
Unallocated liabilities				3,435
Total liabilities				480,560
Other information				
Capital expenditure incurred during the financial year	6,514	773	856	8,143
Additions in right-of-use assets	6,110	6,401	-	12,511
Depreciation of property, plant and equipment	4,173	749	648	5,570
Depreciation of right-of-use assets	9,109	7,813	154	17,076
Depreciation of investment properties	36	-	-	36
Allowance for/(Reversal of) loss allowance for trade and other receivables	1,655	86	(1,004)	737
Provision for obsolescence of inventories	70	521	-	591
Inventories written off	4,425	-	-	4,425

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

5. SEGMENT REPORTING (CONTINUED)

	Trade And distribution RM'000	Retail RM'000	Shipping and others RM'000	Group RM'000
2018				
Revenue				
Total segment revenue	1,624,534	16,440	32,755	1,673,729
Inter segment revenue	(19)	-	(22,282)	(22,301)
External revenue	1,624,515	16,440	10,473	1,651,428
Results				
Segment results (external)	40,246	765	(3,754)	37,257
Interest income				1,421
Finance costs				(7,021)
Profit from ordinary activities before tax				31,657
Taxation				(9,584)
Profit from ordinary activities after tax				22,073
Capital employed				
Segment assets	631,981	21,081	53,952	707,014
Unallocated assets				9,610
Total assets, restated				716,624
Segment liabilities	387,716	5,366	4,507	397,589
Unallocated liabilities				3,195
Total liabilities, restated				400,784
Other information				
Capital expenditure incurred during the financial year	4,856	89	8	4,953
Depreciation of property, plant and equipment	4,031	296	601	4,928
Depreciation of investment properties	35	-	-	35
Allowance for/(reversal of) loss allowance for trade and other receivables	(997)	8	(51)	(1,040)
Provision for obsolescence of inventories	348	-	-	348
Inventories written off	3,029	-	-	3,029

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

5. SEGMENT REPORTING (CONTINUED)

	Trade And distribution RM'000	Retail RM'000	Shipping and others RM'000	Group RM'000
2019				
Analysis of external revenue by category				
- Consumer products	**1,465,825**	**33,583**	**-**	**1,499,408**
- Building materials	**209,390**	**-**	**-**	**209,390**
- Chemical products	**42,393**	**-**	**-**	**42,393**
- Commission, handling fees and others	**-**	**-**	**12,546**	**12,546**
	1,717,608	**33,583**	**12,546**	**1,763,737**
Analysis of external revenue by geographical market				
- Sabah	**983,270**	**-**	**9,599**	**992,869**
- Sarawak	**489,677**	**-**	**1,129**	**490,806**
- Peninsular Malaysia	**244,661**	**7,227**	**1,818**	**253,706**
- Singapore	**-**	**26,356**	**-**	**26,356**
	1,717,608	**33,583**	**12,546**	**1,763,737**
2018				
Analysis of external revenue by category				
- Consumer products	1,363,779	16,440	-	1,380,219
- Building materials	208,792	-	-	208,792
- Chemical products	51,944	-	-	51,944
- Commission, handling fees and others	-	-	10,473	10,473
	1,624,515	16,440	10,473	1,651,428
Analysis of external revenue by geographical market				
- Sabah	916,593	-	8,066	924,659
- Sarawak	470,870	-	875	471,745
- Peninsular Malaysia	237,052	9,045	1,532	247,629
- Singapore	-	7,395	-	7,395
	1,624,515	16,440	10,473	1,651,428

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

6. REVENUE

	2019	2018
	RM'000	RM'000
Group		
Revenue from contract with customers	**1,763,737**	1,651,428
Disaggregation of the Company's revenue from contracts with customers:		
Sale of goods	**1,751,191**	1,640,955
Shipping services	**10,728**	8,496
Others	**1,818**	1,977
	1,763,737	1,651,428
Timing of revenue recognition		
- at a point in time	**1,763,737**	1,651,428
Company		
Dividends from subsidiaries	**15,900**	16,500
Dividends from third parties	**1,150**	976
	17,050	17,476

7. FINANCE COSTS

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Interest expense:				
- bank overdrafts	**138**	103	**-**	-
- bankers' acceptances	**5,936**	6,631	**-**	-
- revolving credit	**676**	287	**-**	-
- lease liabilities	**3,097**	-	**4**	-
	9,847	7,021	**4**	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

8. PROFIT BEFORE TAXATION

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

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Auditors' remuneration:				
- statutory audit fees	**723**	720	**180**	180
- audit related fees	**42**	60	**10**	5
Allowance for/(Reversal of) loss allowance:				
- trade and other receivables	**737**	(1,040)	**-**	-
- amount due from subsidiaries	**-**	-	**1,289**	-
- amount due from an associate	**119**	34	**-**	-
Provision for obsolescence of inventories	**591**	348	**-**	-
Inventories written off	**4,425**	3,029	**-**	-
Property, plant and equipment:				
- depreciation	**5,570**	4,928	**609**	516
- (gain)/loss on disposal	**(109)**	(195)	**(95)**	-
- written off	**448**	47	**-**	-
Depreciation of investment properties	**36**	35	**-**	-
Depreciation of right-of-use assets	**17,076**	-	**38**	-
Loss/(Gain) on disposal of:				
- financial assets at FVOCI	**292**	188	**289**	188
- financial assets at FVTPL	**-**	(12)	**-**	(14)
Fair value (gain)/loss on financial assets at FVTPL	**(790)**	1,337	**(785)**	1,325
Unrealised foreign exchange gain	**(387)**	(31)	**(86)**	(31)
Dividends from third parties	**(1,212)**	(1,205)	**(1,150)**	(976)
Dividends from subsidiaries	**-**	-	**(15,900)**	(16,500)
Interest income:				
- amount due from subsidiaries	**-**	-	**(378)**	(444)
- external	**(1,265)**	(1,183)	**(89)**	(113)
- amounts due from an associate	**(250)**	(238)	**-**	-
Management fees receivable from an associate	**(12)**	(12)	**-**	-
Management fee payable to a subsidiary	**-**	-	**1,255**	1,419
Outward transportation charges	**12,778**	11,328	**-**	-
Rental expense on land and buildings	**-**	10,692	**-**	41
Rental income on land and buildings	**(1,163)**	(1,339)	**-**	-
Staff costs:				
- salaries, wages, bonus, commissions and allowances*	**72,431**	59,284	**707**	421
- defined contribution plan	**10,156**	8,774	**40**	-
- others	**806**	802	**-**	-
Short term and low value lease expenses	**47**	40	**-**	-
Travelling expenses	**4,391**	3,752	**21**	32
Reversal of legal claim	**-**	(3,088)	**-**	-

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

9. DIRECTORS' REMUNERATION

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

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Fees and allowances	**440**	421	**440**	421
Salaries and other emoluments	**2,002**	2,045	**310**	-
Defined contribution plan	**325**	307	**46**	-
	2,767	2,773	**796**	421
Estimated monetary value of benefits-in-kind	**81**	86	**23**	23

10. TAXATION

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
The tax charge for the financial year comprise:				
Current tax:				
- Malaysian tax	**9,837**	8,572	**144**	35
- Deferred tax (Note 16)	**(2,405)**	1,012	**-**	166
	7,432	9,584	**144**	201
Current tax:				
- Current financial year	**9,874**	8,139	**88**	86
- (Over)/Under accrual in prior years	**(37)**	433	**56**	(51)
	9,837	8,572	**144**	35
Deferred tax:				
- Origination and reversal of temporary differences	**(2,405)**	1,012	**-**	166
	7,432	9,584	**144**	201

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

10. TAXATION (CONTINUED)

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

	Group		Company	
	2019	2018	**2019**	2018
	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	**34,707**	31,657	**13,802**	13,663
Tax calculated at the Malaysian tax rate of 24% (2018: 24%)	**8,330**	7,598	**3,312**	3,279
Tax effects of				
- Expenses not deductible for tax purposes	**1,688**	1,806	**1,097**	959
- Income not subject to tax	**(796)**	(540)	**(4,321)**	(4,199)
- Different tax rate in other countries	**(93)**	(37)	**-**	-
- Recognition of deferred tax assets not previously recognised	**(1,894)**	(89)	**-**	-
- (Over)/Under accrual of income tax in prior years	**(37)**	433	**56**	(51)
- Origination and reversal of temporary differences not recognised in prior years	**234**	413	**-**	213
Taxation	**7,432**	9,584	**144**	201

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	
	2019	2018
	RM'000	RM'000
Deductible temporary differences (no expiry date)	**878**	3,125
Unused tax losses (expiring in Year 2025)	**1,858**	7,505
	2,736	10,630
Deferred tax assets not recognised at applicable tax rate	**657**	2,551

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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	
	2019	2018
Profit for the financial year attributable to owners of the Company (RM'000)	**26,841**	21,775
Number of ordinary shares in issue ('000)	**68,476**	68,476
Basic and diluted earnings per share (sen)	**39.20**	31.80

12. DIVIDENDS

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

	2019	2018
	RM'000	RM'000
In respect of the financial year ended 31 December 2018 declared and paid in the financial year ended 31 December 2019:		
Final single tier dividend of RM0.20 per ordinary shares paid on 12 July 2019	**13,695**	-
In respect of the financial year ended 31 December 2017 declared and paid in the financial year ended 31 December 2018:		
Final single tier dividend of RM0.20 per ordinary shares paid on 18 July 2018	**-**	13,695
	13,695	13,695

For the financial year ended 31 December 2019, 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 2019 (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	Construction work-in progress RM'000	Total RM'000
Cost							
As at 1 January 2019, as previously stated	15,895	328	22,401	19,216	52,262	-	110,102
Transfer to ROU assets (effects of adoption of MFRS 16 (Note 14))	(15,895)	-	-	-	-	-	(15,895)
As at 1 January 2019, as restated	-	328	22,401	19,216	52,262	-	94,207
Additions	-	-	54	1,736	4,076	2,277	8,143
Disposals	-	-	-	(1,084)	(182)	-	(1,266)
Write-off	-	-	(202)	(621)	(2,594)	-	(3,417)
As at 31 December 2019	-	328	22,253	19,247	53,562	2,277	97,667
Accumulated depreciation							
As at 1 January 2019, as previously stated	(2,688)	-	(8,091)	(13,519)	(34,329)	-	(58,627)
Transfer to ROU assets (effects of adoption of MFRS 16 (Note 14))	2,688	-	-	-	-	-	2,688
As at 1 January 2019, as restated	-	-	(8,091)	(13,519)	(34,329)	-	(55,939)
Charge for the financial year	-	-	(483)	(1,272)	(3,815)	-	(5,570)
Disposals	-	-	-	1,015	178	-	1,193
Write-off	-	-	-	582	2,387	-	2,969
As at 31 December 2019	-	-	(8,574)	(13,194)	(35,579)	-	(57,347)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold land RM'000	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Construction work-in progress RM'000	Total RM'000
Accumulated impairment							
As at 1 January 2019/ 31 December 2019	-	-	(2,793)	-	-	-	(2,793)
Net book value							
As at 31 December 2019	-	328	10,886	6,053	17,983	2,277	37,527

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 2018	15,961	328	16,466	17,417	41,446	91,618
Acquisition of subsidiaries (Note 19)	-	-	5,940	1,151	6,990	14,081
Additions	-	-	-	776	4,177	4,953
Disposals	(66)	-	(5)	(128)	(33)	(232)
Write-off	-	-	-	-	(318)	(318)
As at 31 December 2018	15,895	328	22,401	19,216	52,262	110,102
Accumulated depreciation						
As at 1 January 2018	(2,542)	-	(6,993)	(11,884)	(26,064)	(47,483)
Acquisition of subsidiaries (Note 19)	-	-	(808)	(644)	(5,142)	(6,594)
Charge for the financial year	(146)	-	(290)	(1,076)	(3,416)	(4,928)
Disposals	-	-	-	85	22	107
Write-off	-	-	-	-	271	271
As at 31 December 2018	(2,688)	-	(8,091)	(13,519)	(34,329)	(58,627)
Accumulated impairment						
As at 1 January 2018/31 December 2018	-	-	(2,793)	-	-	(2,793)
Net book value						
As at 31 December 2018	13,207	328	11,517	5,697	17,933	48,682

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (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 2019	**1,097**	**1,472**	**2,569**
Additions	**329**	**518**	**847**
Disposal	**(360)**	**-**	**(360)**
As at 31 December 2019	**1,066**	**1,990**	**3,056**
Accumulated depreciation			
As at 1 January 2019	**(707)**	**(1,039)**	**(1,746)**
Charge for the financial year	**(193)**	**(416)**	**(609)**
Disposal	**352**	**-**	**352**
As at 31 December 2019	**(548)**	**(1,455)**	**(2,003)**
Net book value			
As at 31 December 2019	**518**	**535**	**1,053**
Cost			
As at 1 January 2018/ 31 December 2018	1,097	1,472	2,569
Accumulated depreciation			
As at 1 January 2018	(539)	(691)	(1,230)
Charge for the financial year	(168)	(348)	(516)
As at 31 December 2018	(707)	(1,039)	(1,746)
Net book value			
As at 31 December 2018	390	433	823

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

14. RIGHT-OF-USE ASSETS

The Group leases various office buildings and warehouses. Lease contracts are typically made for fixed periods of 2 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreements do not impose any covenants but the leased assets may not be used as security for borrowing purposes.

(i) Amount recognised in the statements of financial position

The statements of financial position shows the following amounts relating to leases:

	Leasehold land* RM'000	Office buildings, and ware-houses RM'000	Total RM'000
Group			
Cost			
As at 1 January 2019, upon adoption of MFRS 16 (Note 2(a))	-	69,404	69,404
Transfer from property, plant and equipment (Note 13)	15,895	-	15,895
	15,895	69,404	85,299
Additions (inclusive of provision for reinstatement costs of RM91,000)	-	12,511	12,511
As at 31 December 2019	15,895	81,915	97,810
Accumulated depreciation			
As at 1 January 2019, upon adoption of MFRS 16 (Note 2(a))	-	-	-
Transfer from property, plant and equipment (Note 13)	(2,688)	-	(2,688)
	(2,688)	-	(2,688)
Charge for the financial year	(63)	(17,013)	(17,076)
As at 31 December 2019	(2,751)	(17,013)	(19,764)
Net book value			
As at 31 December 2019	13,144	64,902	78,046

* Leasehold land relates to the lease of land with unexpired lease period ranging from 15 to 900 years for the Group's office buildings located in the state of Selangor, Johor and Sabah. The lease had expiring date ranging from 2035 to 2920 and the Company does not have an option to purchase the leased land at the expiry of the lease period. Leasehold land is amortised over the lease term ranging from 79 to 999 years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

14. RIGHT-OF-USE ASSETS (CONTINUED)

(i) Amount recognised in the statements of financial position (continued)

The statements of financial position shows the following amounts relating to leases: (continued)

	Office buildings and ware-houses RM'000
Company	
Cost	
As at 1 January 2019, upon adoption of MFRS 16 (Note2(a))	86
Accumulated depreciation	
As at 1 January 2019, upon adoption of MFRS 16 (Note2(a))	-
Charge for the financial year	(38)
As at 31 December 2019	(38)
Net book value	
As at 31 December 2019	48

(ii) Amounts recognised in the statements of comprehensive income

The statements of comprehensive income shows the following amounts relating to leases:

	Group 2019 RM'000	Company 2018 RM'000
Interest expenses on lease liabilities	**3,097**	4
Depreciation of right of use of assets	**17,076**	38
Expense relating to lease of low-value assets (included in administrative expenses)	**47**	-
	20,220	42
Total cash outflow for leases (including low value assets)	**19,107**	41

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

15. INVESTMENT PROPERTIES

	Group	
	2019	2018
	RM'000	RM'000
Cost		
As at 1 January/31 December	**2,771**	2,771
Accumulated depreciation		
As at 1 January	**(959)**	(924)
Charge for the financial year	**(36)**	(35)
As at 31 December	**(995)**	(959)
Net book value	**1,776**	1,812

The fair values of investment properties for the Group as at 31 December 2019 were estimated at RM13,670,000 (2018: RM13,670,000) based on the Director's valuations which are derived using the market approach by way of comparison method of valuation. This method of valuation entails comparing recent ask price of other similar properties in the vicinity whilst making due allowances to factors such as location and size. The fair values are categorised as Level 3 in the fair value hierarchy as the valuations were based on observable valuation inputs, which were then adjusted to take into consideration the age and condition of the buildings.

The aggregate lease income arising from investment properties of the Group that generated lease income which was recognised during the financial year amounted to RM1,163,000 (2018: RM1,339,000).

The Group leases out its investment properties. The Group classified these leases as operating lease, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	Group
	2019
	RM'000
Within 1 year	699
Between 1 to 2 years	23
Total undiscounted lease payments	722

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

16. 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	
	2019	2018	**2019**	2018
	RM'000	RM'000 Restated	**RM'000**	RM'000
Deferred tax after offsetting to be recovered after more than 12 months:				
- Deferred tax assets	**7,567**	5,162	**50**	50
- Deferred tax liabilities	**(2,483)**	(2,483)	**-**	-
At 31 December	**5,084**	2,679	**50**	50
At 1 January, as previously stated	**4,019**	5,301	**50**	216
Adjustment due to completion of the PPA exercise (Note 19)	**(1,340)**	-	**-**	-
At 1 January, as restated	**2,679**	5,301	**50**	216
Acquisition of a subsidiary (Note 19)	**-**	(1,610)	**-**	-
(Charged)/Credited to profit or loss (Note 10):				
- property, plant and equipment	**(56)**	(807)	**-**	(172)
- loss allowance for trade receivables	**129**	249	**-**	-
- inventories	**286**	(158)	**-**	-
- accruals	**(704)**	(296)	**-**	6
- right-of-use assets	**(15,576)**	-	**-**	-
- lease liabilities	**16,512**	-	**-**	-
- unutilised tax losses	**1,814**	-	**-**	-
	2,405	(1,012)	**-**	(166)
At 31 December	**5,084**	2,679	**50**	50

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

16. DEFERRED TAXATION (CONTINUED)

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000 Restated	**RM'000**	RM'000
Deferred tax assets (before offsetting)				
- loss allowance for trade receivables	**4,134**	4,005	**-**	-
- inventories	**2,317**	2,031	**-**	-
- accruals	**2,824**	3,528	**108**	108
- lease liabilities	**16,512**	-	**-**	-
- unutilised tax losses	**1,814**	-	**-**	-
	27,601	9,564	**108**	108
Offsetting	**(20,034)**	(4,402)	**(58)**	(58)
Deferred tax assets (after offsetting)	**7,567**	5,162	**50**	50
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	**(5,601)**	(5,545)	**58**	58
- intangible asset	**(1,340)**	(1,340)	**-**	-
- right-of-use assets	**(15,576)**	-	**-**	-
	(22,517)	(6,885)	**58**	58
Offsetting	**20,034**	4,402	**(58)**	(58)
Deferred tax liabilities (after offsetting)	**(2,483)**	(2,483)	**-**	-

17. FINANCIAL ASSETS AT FVOCI

Financial assets at FVOCI include the following:

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Quoted:				
- Equity securities – Malaysia	**232**	228	**-**	-
- Equity securities – Singapore	**2,215**	2,168	**2,215**	2,168
- Equity securities – Europe	**-**	861	**-**	861
- Equity securities – United States	**-**	717	**-**	717
	2,447	3,974	**2,215**	3,746

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

17. FINANCIAL ASSETS AT FVOCI (CONTINUED)

Financial assets at FVOCI are denominated in the following currencies:

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Ringgit Malaysia	**232**	228	**-**	-
Singapore Dollar	**2,215**	2,168	**2,215**	2,168
Euro	**-**	861	**-**	861
United States Dollar	**-**	717	**-**	717
	2,447	3,974	**2,215**	3,746

18. FINANCIAL ASSETS AT FVTPL

Financial assets at FVTPL include the following:

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Quoted:				
- Unit trust funds – Malaysia	**25,444**	21,281	**24,997**	21,096
- Unit trust funds – United States	**-**	1,456	**-**	1,456
	25,444	22,737	**24,997**	22,552

Financial assets at FVTPL are denominated in the following currencies:

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Ringgit Malaysia	**25,444**	21,281	**24,997**	21,096
United States Dollar	**-**	1,456	**-**	1,456
	25,444	22,737	**24,997**	22,552

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

19. SUBSIDIARIES

	Company	
	2019	2018
	RM'000	RM'000
Unquoted shares at cost	**65,581**	65,581
Less: Allowance for impairment loss	**(7,984)**	(7,984)
	57,597	57,597

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

Name of companies	Effective equity interest		Principal activities
	2019	2018	
	%	%	
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
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

19. SUBSIDIARIES (CONTINUED)

Name of companies	Effective equity interest 2019 %	2018 %	Principal activities
Incorporated in Malaysia			
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
Marca Privada Sdn. Bhd. #	**100**	100	Procurement and marketing of consumer goods
Harrisons Corporate Services Sdn. Bhd. #	**100**	100	Provision of management services
Watts Harrisons Sdn. Bhd. #	**100**	100	Retailing of household and consumer goods
Famous Foods Company Pte. Ltd. #	**68**	68	Investment holding
The Famous Amos Chocolate Chip Cookie Singapore Pte. Ltd. #	**54**	54	Manufacturing and retailing of consumer goods
Subsidiaries of Harrisons Sabah Sdn. Bhd.			
Harrisons Travel Sdn. Bhd. +	**100**	100	Travel agent
Harcros (Sabah) Sdn. Bhd.	**100**	100	Dormant

\# Not audited by PricewaterhouseCoopers PLT, Malaysia.

\+ Harrisons Sabah Sdn. Bhd. holds an effective equity interest of 73% in Harrisons Travel Sdn. Bhd. The remaining 27% is held by Harrisons Peninsular Sdn. Bhd. Therefore, the Group holds an effective equity interest of 100%.

α The Company holds an effective equity interest of 74% in Harrisons Marketing & Services Sdn. Bhd. The remaining 26% is held by Harrisons Peninsular Sdn. Bhd. Therefore, the Group holds an effective equity interest of 100%.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

19. SUBSIDIARIES (CONTINUED)

(a) On 6 April 2018, Harrisons Peninsular Sdn. Bhd. (“HPSB”) aquired 8,500,000 ordinary shares in Watts Harrisons Sdn. Bhd. (“Watts”), representing 100% of the total issued and paid-up share capital of the entity, for a total consideration of RM4. As a result, Watts became a wholly-owned subsidiary of HPSB. Details of the purchase consideration, the net assets acquired and bargain purchase are as follows:

	At date of acquisition 2018 RM’000
Fair value of identifiable net assets acquired	
Property, plant and equipment	216
Inventories	1,162
Trade and other receivables	1,092
Bank balances	989
Trade and other payables	(2,779)
Net identifiable assets acquired	680
Negative goodwill	(680)
Purchase consideration in cash	- *

	RM’000
Inflow of cash on acquisition of a subsidiary	
Purchase consideration	- *
Bank balances of subsidiary acquired	989
Net inflow of cash – investing activities	989

* Denotes RM4

The acquisition of this subsidiary has no material effect on the results of the Group for the financial year ended 31 December 2018.

(b) In April 2018, HPSB paid a cash contribution of RM9,628,576 to subscribe for 3,209,599 ordinary shares in Famous Foods Company Pte. Ltd. (“Famous Foods”), representing 68% equity interest this newly incorporated entity.

Subsequently on 27 September 2018, Famous Foods acquired 80% equity interest in Famous Amos Chocolate Chip Cookie Singapore Pte. Ltd. (“Famous Amos”) for a total consideration of SGD4,560,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

19. SUBSIDIARIES (CONTINUED)

(b) In the previous financial year, the management used its best estimates and assumptions as part of the purchase price allocation ("PPA") process to value the assets acquired and liabilities assumed, and the consideration transferred at the acquisition date. The purchase price allocation and considerations for acquisitions may be provisional within the measurement period of up to 12 months after the acquisition date and is subject to refinement as more detailed analysis are completed and additional information about the fair values of the considerations becomes available.

During the financial year, the Company completed its PPA exercise within the stipulated timeframe, resulting in adjustments to certain assets acquired and liabilities assumed previously recognised in the financial statements of the Group. Details of the purchase consideration, the revised net assets acquired and goodwill are as follows:

	At date of acquisition		
	2018 RM'000	Adjustments RM'000	2018 RM'000 Restated
Fair value of identifiable net assets acquired			
Property, plant and equipment	7,271	-	7,271
Intangible asset*	-	7,882	7,882
Inventories	2,040	-	2,040
Trade and other receivables	1,659	-	1,659
Bank balances	4,926	-	4,926
Deferred tax liabilities	(270)	(1,340)	(1,610)
Trade and other payables	(4,359)	-	(4,359)
Tax payable	(229)	-	(229)
Net identifiable assets acquired	11,038	6,542	17,580
Less: Non-controlling interest ("NCI")	(4,968)	(2,983)	(7,951)
Add: Goodwill	3,559	(3,559)	-
Purchase consideration in cash	9,629	-	9,629
Outflow of cash on acquisition of a subsidiary			
Purchase consideration			
- satisfied by HPSB	(9,629)	-	(9,629)
- satisfied by non-controlling interest	(4,531)	-	(4,531)
	(14,160)	-	(14,160)
Bank balances of subsidiary acquired	4,926	-	4,926
Net outflow of cash - investing activities	(9,234)	-	(9,234)

* The intangible asset represents franchise rights of Famous Amos with indefinite useful life. Based on the impairment assessment performed by the Group, the recoverable amount of the Famous Amos operation is in excess of its carrying amount, and accordingly, there is no impairment in respect of the franchise rights of this operation.

The acquisitions of these subsidiaries have no material effect on the results of the Group for the financial year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

20. INVESTMENT IN ASSOCIATE

The Group has not recognised its share of profit after tax of an associate for the financial year of RM8,000 (2018: Loss after tax of RM85,000) as the share of accumulated losses of the associate of RM854,000 has exceeded the carrying amount of the investment. The cost of the investment was RM24,500 and has been fully written down.

The Group's unrecognised cumulative share of losses of the associate based on unaudited results of the associate is RM854,000 (2018: RM862,000).

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

Name of company	Effective equity interest 2019 %	2018 %	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 PLT, Malaysia. The above associate is incorporated in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

21. INVENTORIES

	Group	
	2019	2018
	RM'000	RM'000
Finished goods	**210,135**	219,953
Raw materials	**2,091**	1,466
	212,226	221,419

The carrying amount of inventories is RM212.2 million (2018: RM221.4 million) after deducting provision for obsolescence of inventories amounting to RM9.4 million (2018: RM8.8 million).

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Trade receivables	**366,340**	331,898	**-**	-
Less: Loss allowance	**(39,941)**	(39,204)	**-**	-
Trade receivables - net	**326,399**	292,694	**-**	-
Amounts due from subsidiaries	**-**	-	**10,756**	4,114
Less: Loss allowance	**-**	-	**(1,289)**	-
Amount due from subsidiaries - net	**-**	-	**9,467**	4,114
Deposits	**8,920**	7,940	**52**	52
Prepayments	**755**	1,127	**197**	186
Other receivables	**3,579**	11,998	**1**	5,141
	13,254	21,065	**250**	5,379
	339,653	313,759	**9,717**	9,493

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2018: 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 RM3,117,000 (2018: RM2,998,000) which has been fully impaired. This amount represents balances arising from trade transactions and advances which are unsecured and have no fixed term of repayment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

The amounts due from subsidiaries represent expenses paid on behalf of the subsidiaries. These balances are unsecured, repayable on demand and bear interest at a rate of 7.1% (2018: 7.1%) per annum. An impairment loss of RM1,289,000 (2018: nil) in respect of the impaired outstanding balances has been recognised in the current financial year.

Reconciliation of loss allowance

The movement of loss allowance is as follows:

	Group	
	2019	2018
	RM'000	RM'000
At 1 January	**39,204**	40,244
Allowance for/(Reversal of) loss allowance recognised in profit or loss during the year	**737**	(1,040)
At 31 December	**39,941**	39,204

23. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Deposits with licensed banks	**17,075**	11,671	**-**	-
Cash and bank balances	**75,511**	75,078	**18,532**	19,153
Deposits, cash and bank balances	**92,586**	86,749	**18,532**	19,153
Bank overdrafts (Note 25)	**(234)**	(396)	**-**	-
Cash and cash equivalents	**92,352**	86,353	**18,532**	19,153

The effective interest rate of fixed deposits with licensed banks during the financial year is 2.65 % (2018: 3.05%) per annum. The maturity period of these deposits is 3 months (2018: 3 months). Bank balances are deposits held at call with bank

The currency exposure profile of deposits, cash and bank balances are disclosed in Note 31(i) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Trade payables	**221,851**	156,739	**-**	-
Other payables	**1,940**	7,149	**-**	-
Refundable deposits	**12,893**	10,372	**-**	-
Accruals	**19,242**	18,089	**1,009**	753
Provision for reinstatement costs	**618**	-	**1**	-
	256,544	192,349	**1,010**	753

Credit terms of trade payables granted to the Group and the Company range from 5 days to 90 days (2018: 5 days to 90 days).

25. BORROWINGS

	Group	
	2019	2018
	RM'000	RM'000
Bank overdrafts (Note 23)	**234**	396
Bankers' acceptances	**148,327**	195,184
Revolving credit	**3,220**	9,660
	151,781	205,240

The unsecured bank overdrafts and short-term bankers' acceptances have an average maturity period of on call to one month (2018: on call to one month). The revolving credit has a maturity period of 60 days (2018: 60 days).

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

	Group	
	2019	2018
	%	%
Bank overdrafts	**8.39**	8.35
Bankers' acceptances	**4.16**	4.23
Revolving credit	**5.33**	5.03

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

26. LEASE LIABILITIES

Lease liabilities are presented in the statements of financial position as follows:

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Current liabilities	**13,302**	-	**40**	-
Non-current liabilities				
- due within 2 to 5 years	**35,578**	-	**10**	-
- due more than 5 years	**19,920**	-	**-**	-
	55,498	-	10	-
Total lease liabilities	**68,800**	-	**50**	-

The movement of lease liabilities is as follows:

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
At 1 January 2019, upon adoption of MFRS 16 (Note 2(a))	**72,253**	-	**87**	-
Addition during the year	**12,420**	-	**-**	-
Interest charged during the year (Note 7)	**3,097**	-	**4**	-
Repayment of lease liabilities	**(18,970)**	-	**(41)**	-
At 31 December 2019	**68,800**	-	**50**	-

27. SHARE CAPITAL

	Group and Company	
	2019	2018
	RM'000	RM'000
Issued and fully paid ordinary shares:		
At beginning/end of the financial year	**68,523**	68,523

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 2019.

As at 31 December 2019, the number of outstanding shares in issue after setting off treasury shares of 13,000 (2018: 13,000) against equity is 68,476,200 (2018: 68,476,200).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

28. 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 RM4,426,000 (2018: RM2,874,000).

(b) Non-cancellable operating leases

The Group leases various office buildings and warehouses under non-cancellable operating lease agreements. The lease terms range between 2 and 10 years, and majority of lease agreements are renewable at the end of the lease period at market rate.

From 1 January 2019, the Group has recognised right-of-use assets for these assets, except for short-term and low-value leases, see Note 2(a), Note 14 and Note 26 for further information.

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

	Group	
	2019	2018
	RM'000	RM'000
Within one year	**60**	16,639
Later than one year and not later than five years	**93**	28,266
Later than five years	**-**	5,296
	153	50,201

29. SIGNIFICANT RELATED PARTY DISCLOSURES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions.

(a) Management services rendered by a subsidiary

	Company	
	2019	2018
	RM'000	RM'000
Harrisons Corporate Services Sdn. Bhd.	**1,255**	1,419

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

29. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
(i) Rental of office space from Sinar Nusantara Sdn. Bhd. #	**186**	186	**41**	41
(ii) Rental of warehouses from two companies in which close members of the family of a Director of the Company have 50% equity interest	**831**	831	**-**	-

\# 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% (2018: 40.88%) direct interest in the Company.

(c) Key management personnel

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Key management:				
- fees and allowances	**541**	469	**440**	421
- basic salaries and bonus	**3,847**	4,099	**310**	-
- defined contribution retirement plan	**628**	628	**46**	-
	5,016	5,196	**796**	421
Estimated monetary value of benefits-in-kind	**156**	173	**40**	40

Key management personnel of the Group refers to the Directors of the Company and certain senior management.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

29. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management personnel (continued)

Included in the key management compensation are Directors' remuneration as disclosed in Note 9 to the financial statements.

There are no outstanding receivables from close family members of key management personnel nor any payables outstanding to entities controlled by key management personnel for the current and prior financial year.

30. FINANCIAL INSTRUMENT BY CATEGORY

	2019 **RM'000**	2018 RM'000
Group		
Financial assets measured at amortised cost		
Trade and other receivables (excluding prepayments)	**338,898**	312,632
Deposits, cash and cash equivalents	**92,586**	86,749
	431,484	399,381
Financial asset measured at FVOCI		
Financial assets at FVOCI	**2,447**	3,974
Financial asset measured at FVTPL		
Financial assets at FVTPL	**25,444**	22,737
Financial liabilities measured at amortised cost		
Trade and other payables (excluding provisions)	**255,926**	192,349
Short-term bank borrowings	**151,781**	205,240
Lease liabilities	**68,800**	-
	476,507	397,589

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

30. FINANCIAL INSTRUMENT BY CATEGORY (CONTINUED)

	2019 RM'000	2018 RM'000
Company		
Financial assets measured at amortised cost		
Trade and other receivables (excluding prepayments)	**9,520**	9,307
Deposits, cash and cash equivalents	**18,532**	19,153
	28,052	28,460
Financial asset measured at FVOCI		
Financial assets at FVOCI	**2,215**	3,746
Financial asset measured at FVTPL		
Financial assets at FVTPL	**24,997**	22,552
Financial liabilities measured at amortised cost		
Trade and other payables (excluding provisions)	**1,009**	753
Lease liabilities	**50**	-
	1,059	753

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's activities are exposed to a variety of financial risks, including foreign currency exchange risk, interest rate risk, price risk, credit risk and liquidity risk. The Group's and the Company's overall financial risk management objectives are to ensure that the Group and the Company create value for the shareholders. Financial risk management is carried out through internal control systems and adherence to the Group's and the Company's financial risk management policies.

(i) Foreign currency exchange risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Company are exposed to foreign currency exchange risk as a result of the foreign currency transactions denominated in currencies other than Ringgit Malaysia.

At the end of the reporting period, the carrying amounts of financial assets and liabilities denominated in currencies other than the functional currency are as follows:

	USD RM'000	**SGD RM'000**	**GBP RM'000**	**Others RM'000**	**Total RM'000**
Group					
As at 31 December 2019					
Deposits, cash and bank balances	**3,137**	**4,507**	**-**	**18**	**7,662**
Financial assets at FVOCI	**-**	**2,215**	**-**	**-**	**2,215**
Trade and other receivables	**-**	**2,236**	**-**	**-**	**2,236**
Trade and other payables	**-**	**(2,777)**	**-**	**-**	**(2,777)**
	3,137	**6,181**	**-**	**18**	**9,336**
As at 31 December 2018					
Deposits, cash and bank balances	4,606	4,601	-	18	9,225
Financial assets at FVOCI	717	2,168	-	861	3,746
Financial assets at FVTPL	1,456	-	-	-	1,456
Trade and other receivables	2,045	3,207	1,187	814	7,253
Trade and other payables	-	(3,096)	-	-	(3,096)
	8,824	6,880	1,187	1,693	18,584

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(i) Foreign currency exchange risk (continued)

At the end of the reporting period, the carrying amounts of financial assets and liabilities denominated in currencies other than the functional currency are as follows: (continued)

	USD RM'000	SGD RM'000	GBP RM'000	Others RM'000	Total RM'000
Company					
As at 31 December 2019					
Financial assets at FVOCI	**-**	**2,215**	**-**	**-**	**2,215**
As at 31 December 2018					
Financial assets at FVOCI	717	2,168	-	861	3,746
Financial assets at FVTPL	1,456	-	-	-	1,456
Trade and other receivables	2,045	1,095	1,187	814	5,141
	4,218	3,263	1,187	1,675	10,343

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

The following table demonstrates the sensitivity of the Group's and the Company's profit after tax and other comprehensive income and equity, to a reasonably possible change in the USD, SGD and GBP exchange rates against the functional currency of the Group and the Company, with all other variables held constant.

	Group		Company	
	2019 **RM'000**	2018 RM'000	**2019** **RM'000**	2018 RM'000
Impact on profit or loss net of tax due to changes in				
- USD by 5%:	**118**	308	**-**	133
- SGD by 5%:	**149**	179	**-**	42
- GBP by 5%:	**1**	45	**-**	45
Impact on other comprehensive income net of tax due to changes in				
- USD by 5%	**-**	27	**-**	27
- SGD by 5%	**84**	82	**84**	82

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(ii) Interest rate risk

Interest rate risk is the risk that future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises primarily from borrowings issued at floating rates and short term deposits. The Group and the Company do not enter into any financial instruments to hedge movements in interest rates as the risk is deemed to be insignificant.

A reasonable change in the interest rates would not result in a material impact to the Group's results for the financial year.

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and the Company are exposed to equity price risk arising from its investment in quoted shares. These quoted shares are listed on Stock Exchanges of Malaysia, Singapore, Europe, Russia and United States and are classified as FVOCI.

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 RM558,000 and RM544,000 (2018: RM534,000 and RM526,000) higher/lower respectively, arising as a result of an increase/decrease in the fair value of these marketable securities.

(iv) Credit risk

Financial assets that potentially subject the Group's exposure to credit risk arise mainly from cash and cash equivalents, deposits with financial institutions and contractual cash flows of debt instruments carried at amortised cost and FVTPL.

(a) Risk management

Credit risk with respect to receivables are limited as the Group and the Company do not have any significant exposure to any individual customer or counterparty. The Group and the Company's credit risks are minimised through effective monitoring of receivables and suspension of sales to customers whose accounts exceed the stipulated credit terms. Credit limits are set and credit history is reviewed to minimise potential losses.

The Group's cash and cash equivalents, deposits with financial institutions and debt instruments carried at FVTPL are placed with creditworthy financial institutions and the risks arising thereof are minimised in view of the financial strength of these financial institutions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Credit risk (continued)

(a) Risk management (continued)

The Company also provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly. As at end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. There was no indication that the loans and advances to the subsidiaries are not recoverable.

(b) Impairment of financial assets

The Group and the Company have three types of financial instrument that are subject to the expected credit loss model:

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

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

<u>Trade receivables using simplified approach</u>

The Group applies the simplified approach under MFRS 9 to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected losses, trade receivables have been grouped based on shared credit risk characteristics and days past due.

The expected loss rates are based on historical payment profiles of sales and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the consumer price index of the country in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. No significant changes to estimation techniques or assumptions were made during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Credit risk (continued)

(b) Impairment of financial assets (continued)

Other receivables and amounts due from subsidiaries

The Group and the Company use four categories to reflect their credit risk and how the loss allowance is determined for other receivables and amounts due from subsidiaries which are subject to expected credit losses under the 3-stage general approach. A summary of the assumptions which underpin the expected credit losses model is as follows:

Category	**Company's definition of category**	**Basis for recognising ECL**
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows.	12 months ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/or principal repayments are past due.	Lifetime ECL
Non-performing	Interest and/or principal repayments are 90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.	Asset is written off

Information in respect of the allowance for impairment loss for trade and other receivables is disclosed in Note 22.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Credit risk (continued)

(b) Impairment of financial assets (continued)

Maximum exposure to credit risk

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets:

31 December 2019	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Expected loss rate	**1%**	**2%**	**4%**	**40%**	**11%**
Gross carrying amount – trade receivables	**125,458**	**110,119**	**43,296**	**87,467**	**366,340**
Loss allowance	**(1,527)**	**(1,943)**	**(1,618)**	**(34,853)**	**(39,941)**
Carrying amount (net of loss allowance)	**123,931**	**108,176**	**41,678**	**52,614**	**326,399**

31 December 2018	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Expected loss rate	1%	2%	4%	39%	12%
Gross carrying amount – trade receivables	105,970	93,729	45,096	87,103	331,898
Loss allowance	(1,551)	(1,971)	(1,783)	(33,899)	(39,204)
Carrying amount (net of loss allowance)	104,419	91,758	43,313	53,204	292,694

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Credit risk (continued)

(b) Impairment of financial assets (continued)

The ECL exposure to other receivables is immaterial to the financial statements as a whole. The amounts due from subsidiaries are repayable on demand. Hence, ECL are based on the assumption that repayment of loans is demanded at the reporting date, with short contractual period for payment. In the case of the Company, the subsidiaries have sufficient assessable highly liquid assets to repay the balances if demanded at the reporting date. Therefore, the ECL is likely to be immaterial with probability of default close to 0%.

Financial guarantee contracts

The Company provides unsecured financial guarantees to banks and trade payables in respect of banking facilities and credit limits granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

The maximum exposure to credit risk amounts to RM245.6 million (2018: RM101.1 million) representing the financial guarantee contracts issued by the Company in respect of the outstanding banking facilities and trade payables of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment. Accordingly, the financial guarantee contracts are categorised under the performing category.

(c) Fixed deposits and deposits held at call with licensed banks

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Deposits, cash and bank balances				
Counterparties with external credit rating:				
- AAA	**73,884**	64,129	**18,531**	19,152
- AA	**17,792**	21,937	**1**	1
- A+	**819**	613	**-**	-
	92,495*	86,679*	**18,532**	19,153

*excludes cash in hand of the Group amounting to RM91,000 (2018: RM70,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

31. 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 reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RM'000	Between 2 and 5 years RM'000	More than 5 years RM'000	Total RM'000
As at 31 December 2019				
Group				
Trade and other payables	255,926	-	-	255,926
Borrowings	151,781	-	-	151,781
Lease liabilities	15,517	40,492	21,757	77,766
	423,224	40,492	21,757	485,473
Company				
Trade and other payables	1,009	-	-	1,009
Financial guarantee contracts:				
- given to subsidiaries' bank borrowings	201,595	-	-	201,595
- given to trade payables of the subsidiaries	44,153	-	-	44,153
Lease liabilities	41	11	-	52
	246,798	11	-	246,809

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(v) Liquidity risk (continued)

	Less than 1 year RM'000	Between 2 and 5 years RM'000	More than 5 years RM'000	Total RM'000
At 31 December 2018				
Group				
Trade and other payables	192,349	-	-	192,349
Borrowings	205,240	1,478	-	206,718
	397,589	1,478	-	399,067
Company				
Trade and other payables	753	-	-	753
Financial guarantee contracts:				
- given to subsidiaries' bank borrowings	75,611	-	-	75,611
- given to trade payables of the subsidiaries	25,514	-	-	25,514
	101,878	-	-	101,878

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 estimation

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Other than financial assets at FVOCI and FVTPL, the carrying values of trade and other receivables, trade and other payables, borrowings and deposits, cash and bank balances, approximate their fair values as at the reporting date. The Group and the Company measure the financial assets at FVOCI and FVTPL as Level 1 in the fair value hierarchy of MFRS 13.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

32. CAPITAL RISK MANAGEMENT

The Group's and the Company's objectives when managing capital are to ensure that the Group and the Company continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

The Group and the Company were in compliance with the financial debt covenants imposed by the financial institutions for the financial year ended 31 December 2019.

33. SUBSEQUENT EVENT

Due to a significant worsening of the macro-economic outlook as a result of Covid-19, both domestically and globally, the Group, based on preliminary assessment, expects that the current situation to have a negative impact on the Group's financial results for the financial year ending 31 December 2020. This is mainly due to the likely increase in the expected credit losses as a result of the negative macroeconomic outlook as well as the expected decrease in sales due to the much-reduced economic activities. The Directors are monitoring the situation closely and continue to assess the impact on the Group's operations and performance as the situation develops.

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 14 May 2020.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HARRISONS HOLDINGS (MALAYSIA) BERHAD
(Incorporated in Malaysia)
Registration No. 199001003108 (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 2019, 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 as at 31 December 2019 of the Group and of the Company, 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 51 to 129.

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 the Group and of 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)
Registration No. 199001003108 (194675-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

Key audit matters are those 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.

Key audit matters	**How our audit addressed the key audit matters**
Provision for obsolescence of inventories *Refer to Note 3(l) - Summary of significant accounting policies for inventories, Note 4(b) - Critical accounting estimates and judgements on provision for obsolescence of inventories and Note 21 – Inventories.* As at 31 December 2019, the Group has inventory balance of RM212.2 million, net of provision for obsolescence of inventories of RM9.4 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.	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 independently computed estimated rate of provision for obsolescence of inventories for each ageing band of each category of inventories with the rate of allowance applied by management to determine the reasonableness of the allowance made. Based on the audit procedures performed, no exceptions were noted.

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

(Incorporated in Malaysia)
Registration No. 199001003108 (194675-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Impairment of trade receivables *Refer to Note 3(f) – Summary of significant accounting policies for impairment of trade and other receivables, Note 4(c) - Critical accounting estimates and judgements on loss allowance for trade receivables and Note 22 – Trade and other receivables.* As at 31 December 2019, the Group has trade receivables balance of RM326.4 million, net of impairment of trade receivables of RM39.9 million. The impairment of trade receivables computed by management is based on the expected loss rates of each ageing band of trade receivables. Significant judgement and estimates are required in determining the loss rates to be applied to each ageing band of the trade receivables. We focus on this area because of the nature of the judgement made by management in deriving the estimates when assessing the level of impairment required.	Our audit procedures on the testing of the impairment of trade receivables were as follows: • We obtained an understanding of and evaluated management's grouping of trade receivables based on shared credit risk characteristics and days past due; • We used historical payment profiles of sales and the corresponding historical credit losses experienced in the historical periods, and the relevant forward-looking information on macroeconomic factors such as the consumer price index of the country, to independently estimate the rate of impairment of trade receivables; and • We compared our estimated rate of impairment of trade receivables in each age bracket for each category of trade receivables with the rate of impairment applied by management to determine the reasonableness of the impairment made. Based on the audit procedures performed, no exceptions were noted.

There are no key audit matters to report for 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 comprises the Chairman's Statement, Management Discussion and Analysis, Corporate Governance Overview Statement, Other Disclosures, Statement of Directors' Responsibility, Statement on Risk Management and Internal Control, Report of the Audit Committee and Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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.

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

(Incorporated in Malaysia)
Registration No. 199001003108 (194675-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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.

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

(Incorporated in Malaysia)
Registration No. 199001003108 (194675-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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.

(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 of 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 on 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.

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

(Incorporated in Malaysia)
Registration No. 199001003108 (194675-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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 financial 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 19 to the financial statements.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

HEW CHOOI YOKE
03203/07/2021 J
Chartered Accountant

Kuala Lumpur
14 May 2020

LIST OF PROPERTIES
AS AT 31 DECEMBER 2019

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 31.12.2019 RM'000
JWSB	Lot 9, Section 20A, Jalan P. P. Narayanan (Jalan 222) Town of Petaling Jaya, District of Petaling, PJ	Single office Building and single-storey godown	99 years lease expiring on 09.06.2065	6,324.00	2,688.90/ 54 years since 1966	13.03.1986	2,160
JWSB	Unit No. A-7-1, Dua Residency, Jalan Tun Razak, Kuala Lumpur	Condominium	Freehold	2,315.00	13 years Since 2007	27.08.2004	968
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/ 31 years since 1989	31.12.1990	129
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/ 38 years since 1982	31.12.1990	1,168
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/ 34 years	31.12.1990	1,096
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	478
HSabah	Kota Kinabalu Town Lease No. 017503856	3 storey office building	999 years – lease expiring on 23.04.2910	929.00	2,092.45/ 59 years	07.05.1990	3,307
HSabah	Kota Kinabalu Town Lease No. 017511661	2 storey office building	99 years – lease expiring on 26.02.2089	445.92	463.77/ 49 years	07.05.1990	680
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/ 34 years	07.05.1990	75
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/ 63 years	07.05.1990	702

LIST OF PROPERTIES AS AT 31 DECEMBER 2019 (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 31.12.2019 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/ 61 years	07.05.1990	2,069
HSabah	Sandakan Town Lease No. 077544220	Single storey godown	999 years lease expiring on 30.06.2911	5,989.35	2,090.32/ 34 years	07.05.1990	1,758
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/ 34 years	07.05.1990	834
HSabah	Tawau CL105498224	Warehouse	99 years lease expiring on 31.10.2050	6,947.06	2,322.50/ 34 years	30.09.2004	1,073
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/ 61 years	07.05.1990	1,807
HSabah	Jalan Merdeka, Labuan Grant No. 207503866	Temporary open space storage	99 years expiring on 27.02.2051	3,530.32	-	07.05.1990	1,285
HSabah	Lahad Datu TL 117508559	Warehouse	99 years lease expiring on 26.01.2066	6,377.86	2,136.70/ 34 years	31.12.1999	1,112
HSabah	Labuan Suburban Grant No. 346	Vacant Land	999 years lease expiring on 03.11.2880	8,862.61	-	14.11.2003	1
HSabah	Labuan Suburban Grant No. 347	Vacant Land	999 years lease expiring on 01.02.2854	10,440.89	-	14.11.2003	1
Famous Amos	Ubi Techpark, Singapore	Office and factory area	60 years lease expiring on 04.07.2057	372.00	372.00/ 40 years	9.4.2018	4,293

Abbreviation:

JWSB	:	J. Whyte (Malaysia) Sdn. Bhd.
HPSB	:	Harrisons Peninsular Sdn. Bhd.
HSabah	:	Harrisons Sabah Sdn. Bhd.
HSarawak	:	Harrisons Sarawak Sdn. Bhd.
Famous Amos	:	The Famous Amos Chocolate Chip Cookie Singapore Pte. Ltd.

ANALYSIS OF SHAREHOLDINGS
AS AT 16 JUNE 2020

Issued share capital	-	68,489,200 ordinary shares (inclusive of 13,000 treasury shares)
Class of shares	-	Ordinary shares
No. of shareholders	-	1,747
Voting right	-	One (1) vote per ordinary share

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

		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

1. Bumi Raya International Holding Company Limited held through:

	No. of shares
• DB (Malaysia) Nominee (Asing) Sdn. Bhd. *Exempt An for Deutsche Bank AG Singapore (Asing WM CLT)*	**20,005,231**
• Maybank Securities Nominees (Asing) Sdn. Bhd. *Pledged Securities Account for Bumi Raya International Holding Co Ltd*	**8,000,000**
	28,005,231

2. Dunway Holding Limited held through:

	No. of shares
• Citigroup Nominees (Asing) Sdn. Bhd. *Exempt An for UBS AG Singapore (Foreign)*	**4,580,817**

Notes:
^ 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 16 JUNE 2020 (CONTINUED)

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

		Direct Interest		Indirect Interest	
	Names	No. of Shares	%	No. of Shares	%
1.	Pandjijono Adijanto @ Tan Hong Phang	89,000	0.13	-	-
2.	Chang Kon Sang	-	-	-	-
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	44	2.52	688	0.00
100 – 1,000	537	30.74	453,057	0.66
1,001 – 10,000	919	52.60	3,874,055	5.66
10,001 – 100,000	207	11.85	5,755,308	8.40
100,001 - Less than 5% of issued shares	35	2.00	15,808,044	23.08
5% and Above of Issued shares	5	0.29	42,598,048	62.20
	1,747	100.00	68,489,200	100.00

ANALYSIS OF SHAREHOLDINGS AS AT 16 JUNE 2020 (CONTINUED)

THIRTY (30) LARGEST SECURITIES HOLDERS (WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME REGISTERED HOLDER)

	Name	No. of Shares Held	%
1.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. *Exempt An for Deutsche Bank AG Singapore (Asing WM CLT)*	22,005,231	32.13
2.	Maybank Securities Nominees (Asing) Sdn. Bhd. *Pledged Securities Account for Bumi Raya International Holding Company Limited (39B)*	8,000,000	11.68
3.	Citigroup Nominees (Asing) Sdn. Bhd. *Exempt An for UBS AG Singapore (Foreign)*	4,580,817	6.69
4.	Citigroup Nominees (Asing) Sdn. Bhd. *Exempt An for OCBC Securities Private Limited (Client A/C-NR)*	4,328,000	6.32
5.	UOB Kay Hian Nominees (Asing) Sdn. Bhd. *Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)*	3,684,000	5.38
6.	Citigroup Nominees (Asing) Sdn. Bhd. *UBS AG Singapore for Tektron Holdings Limited*	2,600,000	3.80
7.	Jantoco Properties Sdn. Bhd.	2,522,300	3.68
8.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for Credit Suisse (SG BR-TST-ASING)*	1,783,900	2.60
9.	CIMB Group Nominees (Asing) Sdn. Bhd. *Exempt An for DBS Bank Ltd (SFS-PB)*	1,134,600	1.66
10.	Jantoco Holdings Sdn. Bhd.	987,000	1.44
11.	CIMB Group Nominees (Asing) Sdn. Bhd. *Exempt An for DBS Bank Ltd (SFS)*	744,300	1.09
12.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledge Securities Account for Lim Kuan Gin*	633,700	0.93
13.	Lim Ah Hua	492,900	0.72
14.	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Kong Hwee (E-KPG/SGK)*	430,900	0.63
15.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. *Deutsche Bank AG Singapore for Yeoman 3-Rights Value Asia Fund (PTSL)*	400,000	0.58
16.	Teuh Chin Yap	323,000	0.47
17.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for Bank Julius Baer & Co. Ltd. (Singapore BCH)*	300,000	0.44

ANALYSIS OF SHAREHOLDINGS AS AT 16 JUNE 2020 (CONTINUED)

	Name	No. of Shares Held	%
18.	Teo Kock Sei	300,000	0.44
19.	HSBC Nominees (Tempatan) Sdn. Bhd. *Exempt An for Credit Suisse (SG BR-TST-TEMP)*	222,200	0.32
20.	HLB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tan Soo Sie*	203,300	0.30
21.	Public Invest Nominees (Asing) Sdn. Bhd. *Exempt An for Phillip Securities Pte Ltd (Clients)*	192,400	0.28
22.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tan Tuan Phin (Jalan Dedap-CL)*	178,000	0.26
23.	Wong Yoke Kong	169,000	0.25
24.	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Ling Hew Teng (E-BTL)*	168,444	0.25
25.	General Technology Sdn. Bhd.	167,900	0.25
26.	Ng Su Peng	167,500	0.24
27.	Foo Chow Luh	154,000	0.22
28.	Chong Chee Fire	150,000	0.22
29.	Lim Wee Chin	139,900	0.20
30.	Tan Kok Tong	138,000	0.20
	Total	**57,301,292**	**83.67**

NOTICE OF 30TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirtieth (30th) Annual General Meeting of Harrisons Holdings (Malaysia) Berhad ("the Company") will be held at Dewan Mutiara, Summit Hotel KL City Centre, No. 12, Jalan Raja Laut, 50350 Kuala Lumpur on Wednesday, 29 July 2020 at 10:30 a.m. for the purpose of considering the following businesses:-

A G E N D A

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 and the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note (a))**

2. To re-elect the following Directors who are retiring by rotation in accordance with Clause 97 of the Constitution of the Company and being eligible, have offered themselves for re-election:

   i. Mr Pandjijono Adijanto @ Tan Hong Phang **Ordinary Resolution 1**
   ii. Mr Chong Chee Fire **Ordinary Resolution 2**

3. To re-elect Mr Chang Kon Sang who is retiring in accordance with Clause 104 of the Constitution of the Company and being eligible, has offered himself for re-election. **Ordinary Resolution 3**

4. To approve the payment of Directors' fees of RM428,930.00 for the financial year ended 31 December 2019. **Ordinary Resolution 4**

5. To approve the payment of Directors' remuneration (excluding Directors' Fees) payable to the Non-Executive Directors of the Company amounting to RM12,500.00 for the period from 30 July 2020 until the next Annual General Meeting. **Ordinary Resolution 5**

6. To re-appoint Messrs. PricewaterhouseCoopers PLT as the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

As Special Business:

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

7. FINAL SINGLE-TIER DIVIDEND **Ordinary Resolution 7**

   "THAT a final single-tier dividend of 20 sen per ordinary share in respect of the financial year ended 31 December 2019 be hereby approved for payment".

NOTICE OF 30TH ANNUAL GENERAL MEETING (CONTINUED)

8. AUTHORITY TO ISSUE AND ALLOT SHARES **Ordinary Resolution 8**

“THAT subject always to the Companies Act 2016, Constitution of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 75 of the Companies Act 2016 to issue and allot not more than ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company pursuant to Section 76 of the Companies Act 2016 and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof.”

9. CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR - MR WONG YOKE KONG **Ordinary Resolution 9**

“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 an Independent Non-Executive Director of the Company.”

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

“THAT subject to approval of the shareholders on Ordinary Resolution 2, 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 an Independent Non-Executive Director of the Company.”

11. CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR - MR FOO CHOW LUH **Ordinary Resolution 11**

“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.”

12. To transact any other business of which due notice shall have been given.

NOTICE OF 30TH ANNUAL GENERAL MEETING (CONTINUED)

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of the shareholders at the Thirtieth Annual General Meeting ("30th AGM"), a final single-tier dividend of 20 sen per ordinary share in respect of the financial year ended 31 December 2019, if approved, will be payable on 4 September 2020 to shareholders whose names appear in the Record of Depositors on 14 August 2020.

A depositor shall qualify for entitlement to the dividend only in respect of:-

a) Securities transferred into the Depositor's Securities Account before 4:30 p.m. on 14 August 2020 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 & SSM PC No. 202008003025)
TAN KOK SIONG (LS0009932 & SSM PC No. 202008001592)
TAN BEE HWA (MAICSA 7058049 & SSM PC No. 202008001174)
Company Secretaries

Kuala Lumpur
30 June 2020

NOTES:-

1. *A member entitled to attend and vote at the meeting may appoint a proxy/ proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.*

2. *Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.*

3. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where the exempt authorised nominee appoints two (2) or more proxies to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.*

5. *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 stipulated for holding the meeting or any adjournment thereof.*

6. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*

7. *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 Clause 62 of the Constitution of the Company, a Record of Depositors as at 22 July 2020 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.*

NOTICE OF 30TH ANNUAL GENERAL MEETING (CONTINUED)

Explanatory notes on Ordinary and Special Business

(i) Item 1 of the Agenda
Audited Financial Statements for the financial year ended 31 December 2019

This agenda item is meant for discussion only as the provision of Sections 248 and 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders and hence this agenda item is not put forward for voting.

(ii) Ordinary Resolution 5
Payment of Directors' remuneration (excluding Directors' Fee) 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 listed company and its subsidiaries, shall be approved at a general meeting.

The Directors' remuneration (excluding Directors' fee) comprises the allowances and other emoluments payable to the Directors as set out below:

Description	Directors (RM)
Meeting Allowance	12,500

In determining the estimated total amount of the directors' remuneration (excluding Directors' fee), the Board considered various factors including the number of scheduled meetings for the Board and Board Committees as well as the number of Directors involved in these meetings.

Payment of Directors' remuneration (excluding Directors' fee) will be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred if the proposed Resolution 5 has been passed at the 30th AGM. 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 period from 30 July 2020 until the next Annual General Meeting in the year 2021.

(iii) Ordinary Resolution 8
Authority to Issue and Allot Shares

The proposed Ordinary Resolution 8, if passed, will empower the Directors from the date of this Annual General Meeting, to issue and allot up to a maximum of 10% of the total number of issued 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 30TH ANNUAL GENERAL MEETING (CONTINUED)

(iv) **Ordinary Resolution 9 to Ordinary Resolution 11**
Continuing in office as Independent Non-Executive Directors

The Nomination Committee has assessed the independence of Mr Wong Yoke Kong, Mr Chong Chee Fire and Mr Foo Chow Luh, 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 to 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 an 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 Resolutions 9 to 11 will be sought on two-tier voting basis.

The proposed Ordinary Resolutions 9 to 11, if passed, will allow the Independent Directors to be retained and continue acting as Independent Directors to fulfil the requirements of Paragraph 3.04 of the Main Market Listing Requirements and in line with the recommendation No. 4.2 of the Malaysian Code on Corporate Governance 2017.

**Note: Please refer to the Administrative Guide attached to the Notice of the 30th AGM on the details pertaining to the precautionary measures taken by the Company, as part of the initiatives to curb the spread of the Coronavirus Disease (COVID-19) outbreak.*

HARRISONS HOLDINGS (MALAYSIA) BERHAD
[REGISTRATION NO. 199001003108 (194675-H)]
(INCORPORATED IN MALAYSIA)

FORM OF PROXY

* I/We ……..

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

being a Member(s) of **HARRISONS HOLDINGS (MALAYSIA) BERHAD [REGISTRATION NO. 199001003108 (194675-H)],** hereby appoint

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

or failing him/her, #THE CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us on *my/our behalf at the Thirtieth (30th) Annual General Meeting of the Company to be held at Dewan Mutiara, Summit Hotel KL City Centre, No. 12, Jalan Raja Laut, 50350 Kuala Lumpur on Wednesday, 29 July 2020 at 10:30 a.m. or at any adjournment thereof and to vote as indicated below:

No.	Agenda		For	Against
1	To re-elect Mr Pandjijono Adijanto @ Tan Hong Phang as a Director	Ordinary Resolution 1		
2	To re-elect Mr Chong Chee Fire as a Director	Ordinary Resolution 2		
3	To re-elect Mr Chang Kon Sang as a Director	Ordinary Resolution 3		
4	To approve the payment of Directors' fees for the financial year ended 31 December 2019	Ordinary Resolution 4		
5	To approve the payment of Directors' remuneration (excluding Directors' Fees) payable to the Non-Executive Directors	Ordinary Resolution 5		
6	To re-appoint Messrs. PricewaterhouseCoopers PLT as Auditors of the Company	Ordinary Resolution 6		
7	To approve Final Single-Tier Dividend	Ordinary Resolution 7		
8	Authority to Issue and Allot Shares	Ordinary Resolution 8		
9	Continuing in Office as Independent Non-Executive Director - Mr Wong Yoke Kong	Ordinary Resolution 9		
10	Continuing in Office as Independent Non-Executive Director - Mr Chong Chee Fire	Ordinary Resolution 10		
11	Continuing in Office as Independent Non-Executive Director - Mr Foo Chow Luh	Ordinary Resolution 11		

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 (2) 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. 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.
* *Strike out if not applicable.*

Number of Shares Held	
CDS Account No.	
Contact No.	

Signed this....…...... day of ….…….................. 2020.

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

NOTES:-

1. *A member entitled to attend and vote at the meeting may appoint a proxy/ proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.*
2. *Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.*
3. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where the exempt authorised nominee appoints two (2) or more proxies to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.*
5. *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 stipulated for holding the meeting or any adjournment thereof.*
6. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*
7. *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 Clause 62 of the Constitution of the Company, a Record of Depositors as at 22 July 2020 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.*

Affix Stamp

The Company Secretaries

HARRISONS HOLDINGS (MALAYSIA) BERHAD
[199001003108 (194675-H)]

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

Harrisons Holdings (Malaysia) Berhad
Registration No. 199001003108 (194675-H)

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

Tel : +603-2698 3733
Fax : +603-2698 8733
Email : general@harrisons.com.my
Website : www.harrisons.com.my